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ISSN 1180-4386

Legislative Assembly of Ontario

Third Session, 37th Parliament

Assemblée législative de l'Ontario

Troisième session, 37^e législature

Official Report of Debates (Hansard)

Thursday 10 October 2002

Journal des débats (Hansard)

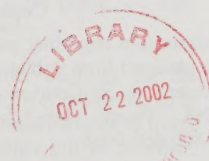
Jeudi 10 octobre 2002

**Standing committee on
finance and economic affairs**

Organization

**Comité permanent des finances
et des affaires économiques**

Organisation



Chair: Marcel Beaubien
Clerk: Katch Koch

Président : Marcel Beaubien
Greffier : Katch Koch

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 10 October 2002

Jeudi 10 octobre 2002

The committee met at 1005 in room 151.

ELECTION OF VICE-CHAIR

The Chair (Mr Marcel Beaubien): Good morning, everyone. If I can get your attention, we'll bring the meeting to order.

We have two issues to deal with this morning. First, it's our duty to elect a new Vice-Chair to this committee. The second order of business will be to appoint a government member to the subcommittee on committee business.

I'll go to the first item of business, which is to elect a Vice-Chair. Any nominations?

Mr Monte Kwinter (York Centre): Mr Chair, I'd like to put into nomination the name of Ted Arnott, the member from Wellington-Waterloo.

Mr Ted Arnott (Waterloo-Wellington): Waterloo-Wellington.

Mr Rob Sampson (Mississauga Centre): You just want to hear Ted speak, that's all.

The Chair: Any further nominations? Any more nominations? Going three times. No more nominations? The floor is closed for nominations.

I would imagine that Ted is automatically elected. Congratulations.

Mr Arnott: Thank you.

SUBCOMMITTEE MEMBERSHIP

The Chair: The other issue we're dealing with is to appoint a government member to the subcommittee.

Mr Joseph Spina (Brampton Centre): I nominate Mr O'Toole as the government member on the subcommittee.

The Chair: Mr O'Toole has been nominated.

Mr Sampson: I thought the nominations usually come from the opposition.

The Chair: Well, we can take them from both sides.

Interjections.

Mr Kwinter: Mr Chairman, on a point of order: I have no problem with it, any way you want it, but it would seem to me that each caucus decides who is going to be their representative on the subcommittee. I don't think the finance and economic affairs committee makes that decision. It's up to you to decide whom you would

like to represent you on that subcommittee. I don't know why we are dealing with it here.

The Chair: I'm getting a ruling from the clerk. Apparently it has to be endorsed by the committee, especially when there is no subcommittee member on the government side at this point in time. The former member was Mr Hardeman.

Mr Gerry Phillips (Scarborough-Agincourt): That's all fine with us.

Mr Kwinter: Sure.

The Chair: Is everybody in favour of this? We are. That ends the business for the day.

Mr Phillips: Mr Chair, if I might kind of alert the committee: the budget next year will be in March, which is earlier than usual. The reason I raise it is that I think the subcommittee might want to get together a little bit earlier just to kind of plan the pre-budget things. We've tended to have the pre-budget hearings in February, and we may want to consider doing that earlier. The normal process is that the subcommittee meets sometime in December and comes forward with a recommendation to the committee. But we may want to get together in November and just start to think about that.

The Chair: It's a very good point, and that's the reason I called this meeting this morning, so that we could organize the committee to prepare ourselves for that, because it's going to be earlier—we did not have a Vice-Chair, we did not have—

Mr Phillips: You're way ahead of me.

The Chair: That was the plan, OK?

Mr Phillips: Great.

Mr Sampson: Mr Chair, one more point: the subcommittee is meeting shortly, I gather—

The Chair: That's correct.

Mr Sampson: —to sort of order business for the committee, according to Mr Phillips, over the next couple of months. I'm wondering, if the House chooses to move on a bill shortly, if it receives another bill to consider, whether it will have time to consider that particular piece of legislation.

The Chair: This is something we certainly can discuss at the subcommittee level and report back to the committee. I'm sure it's been done before, so I don't see any difficulties there.

Mr Sampson: OK, great. Thanks.

The Chair: This committee is now adjourned.

The committee adjourned at 1010.

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Mr Ted Arnott (Waterloo-Wellington PC)

Mr Marcel Beaubien (Lambton-Kent-Middlesex PC)

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Official Report of Debates (Hansard)

Thursday 24 October 2002

Journal des débats (Hansard)

Jeudi 24 octobre 2002

**Standing committee on
finance and economic affairs**

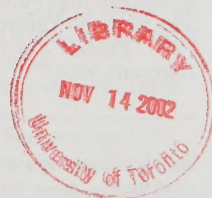
Election of chair

**Comité permanent des finances
et des affaires économiques**

Élection du Président

Chair: Joseph Spina
Clerk: Katch Koch

Président : Joseph Spina
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STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 24 October 2002

Jeudi 24 octobre 2002

The committee met at 1004 in room 151.

ELECTION OF CHAIR

The Vice-Chair (Mr Ted Arnott): I call the meeting to order. Honourable members, it is my duty to call upon you to elect a Chair. Are there any nominations?

Hon Doug Galt (Minister without Portfolio): I move that Mr Joe Spina fill the position of Chair.

Mr Gerry Phillips (Scarborough-Agincourt): I will second that.

The Vice-Chair: Are there any further nominations? Seeing none, it's my privilege and honour to declare Mr Spina duly elected Chair of the standing committee on finance and economic affairs. Congratulations, Mr Spina.

Mr Joseph Spina (Brampton Centre): Thank you.

Mr Monte Kwinter (York Centre): Can I move adjournment of the meeting?

The Vice-Chair: No.

Mr Kwinter: Have we other issues?

The Vice-Chair: Allow him to take the chair.

Mr Kwinter: Oh, allow him to take the chair.

Mr Phillips: I have a question too, if I could.

Hon Mr Galt: Wait for the new Chair. Put it to the new one. Initiate him by fire.

The Chair (Mr Joseph Spina): Thank you, folks, for your confidence and direction.

COMMITTEE BUSINESS

The Chair: Mr Phillips, you had a question?

Mr Phillips: Mr Chair, has the waterfront bill been referred to this committee?

Hon Mr Galt: Which bill?

Mr Phillips: Remember we had that time allocation motion?

The Chair: I've been advised that it has not, at least at this point.

Hon Mr Galt: Was it in the time allocation motion? Did it state it was coming to this committee?

Mr Phillips: Somebody told me it did.

Hon Mr Galt: I'll have to go back and check.

The Chair: It's my understanding that, yes, it was called for, but the House has to call it back for second

reading before it can be referred to the committee. That's the advice I'm receiving.

Mr Phillips: I thought—

The Chair: That was just the time allocation motion, I think, Gerry.

Mr Phillips: So they haven't called it.

The Chair: They haven't called it for second reading. Once they call it for second reading—

Hon Mr Galt: The second reading vote.

The Chair: Yes.

Mr Phillips: I believed the government urgently wanted to get that thing passed, so I just assumed it would have been dealt with by now.

The Chair: Perhaps you might want to mention that to your House leader, to encourage our House leader to get it called.

Mr Phillips: Be that as it may.

Mr Kwinter: Mr Chairman, can I now call for adjournment of this committee?

The Chair: No, we have one other small piece of business. Is there another piece of business someone would like to bring forward?

Mr Ted Arnott (Waterloo-Wellington): Yes, Mr Chair. I would like to move that Mr Beaubien replace Mr O'Toole as a member of the subcommittee on committee business representing our party.

Mr Wayne Wettlaufer (Kitchener Centre): If I may say something, Mr Chair, the only difficulty with that is it will give Mr O'Toole more time to speak in the House.

Hon Mr Galt: There are some days we can use that.

Mr Phillips: I move that Mr Galt be on the subcommittee.

Hon Mr Galt: We appreciate your concern.

The Chair: Is there any other discussion on that motion? All those in favour? Opposed? Carried. Mr Beaubien will now replace Mr O'Toole as a member of the subcommittee on committee business.

Mr Phillips: Quite a little bag shake we've had here.

Hon Mr Galt: Tell me about it.

Mr Phillips: Wait till the media finds out about this.

Mr Kwinter: Now, Mr Chairman, I would like to call for adjournment of this committee.

The Chair: Agreed? Adjourned.

The committee adjourned at 1008.

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Mr John O'Toole (Durham PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Mr Rob Sampson (Mississauga Centre / -Centre PC)

Mr Joseph Spina (Brampton Centre / -Centre PC)

Substitutions / Membres remplaçants

Mr Doug Galt (Northumberland PC)

Mr Wayne Wettlaufer (Kitchener Centre / -Centre PC)

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Legislative Assembly of Ontario

Third Session, 37th Parliament

Assemblée législative de l'Ontario

Troisième session, 37^e législature

Official Report of Debates (Hansard)

Thursday 7 November 2002

Journal des débats (Hansard)

Jeudi 7 novembre 2002

Standing committee on finance and economic affairs

Collision Repair
Standards Act, 2002

Comité permanent des finances et des affaires économiques

Loi de 2002
sur les normes de réparation
en cas de collision

Chair: Joseph Spina
Clerk: Katch Koch

Président : Joseph Spina
Greffier : Katch Koch



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Thursday 7 November 2002

Jeudi 7 novembre 2002

The committee met at 0934 in room 151.

SUBCOMMITTEE REPORT

The Chair (Mr Joe Spina): Shall we go ahead, committee members? The first item of business is the adoption of the subcommittee report. Would you read it into the record please, Mr Sampson?

Mr Rob Sampson (Mississauga Centre): The whole report?

The Chair: Yes.

Mr Sampson: "Your subcommittee met on Thursday, October 31, 2002, to consider the method of proceeding on Bill 186, An Act to further highway safety and establish consumer protection through the regulation of the collision repair industry, and to make a complementary amendment to the Insurance Act and recommends the following:

"(1) That the committee meet in Toronto on Thursday, November 7, 2002, from 9:30 am to 12 pm to hold public hearings on Bill 186.

"(2) That the committee, following public hearings and with unanimous consent of the members of the committee, shall proceed with clause-by-clause consideration of Bill 186 on Thursday, November 7, 2002, from 4 pm to 6 pm.

"(3) That the committee shall post information regarding the hearings on the Ontario parliamentary channel and on the Internet.

"(4) That interested people who wish to be considered to make an oral presentation on Bill 186 should contact the committee clerk by 5 pm on Tuesday, November 5, 2002.

"(5) That the clerk will send out a list of all the requests to the three parties by 5:30 pm on Tuesday, November 5, 2002. If all witnesses can be scheduled in the time available, the clerk shall be authorized to schedule the witnesses.

"(6) That if there are more witnesses than time slots available, each party will provide the clerk with a prioritized list including alternates in case of duplication by 10:30 am on Wednesday, November 6, 2002.

"(7) That the number of witnesses shall be divided equally among the three parties.

"(8) That the deadline for written submissions be Wednesday, November 6, 2002, at 12 noon.

"(9) That all witnesses for Bill 186 be offered 10 minutes in which to make their presentations.

"(10) That a summary of testimonies be prepared by legislative research.

"(11) That the clerk of the committee, in consultation with the Chair, be authorized prior to the adoption of the report of the subcommittee, to commence making any preliminary arrangements to facilitate the committee's proceedings."

I move adoption of that report.

Mr Monte Kwinter (York Centre): Seconded.

The Chair: We have a seconder, Mr Kwinter. All agreed? Thank you.

COLLISION REPAIR
STANDARDS ACT, 2002LOI DE 2002
SUR LES NORMES DE RÉPARATION
EN CAS DE COLLISION

Consideration of Bill 186, An Act to further highway safety and establish consumer protection through the regulation of the collision repair industry, and to make a complementary amendment to the Insurance Act / Projet de loi 186, Loi visant à améliorer la sécurité sur les voies publiques et à protéger les consommateurs en réglementant le secteur de la réparation en cas de collision et à apporter une modification complémentaire à la Loi sur les assurances.

The Chair: I would remind members of the committee that there is a list of submissions on your desk for people who were not able to be included in the delegations today. I also remind you to look at both sides of the sheets. It's printed on both sides.

Our first presenter is CISCO, the Collision Industry Standards Council of Ontario, Mr Szabo.

Mr Sampson: If I may suggest that Mr Szabo be swapped with the next one, if that's possible, since as of about 10 minutes ago, he was finding his way up the free-flowing traffic of University Avenue that's been cut down to one lane, and he might be delayed.

The Chair: All right. That's no problem.

AUTOMOBILE REPAIR
REGULATORY COUNCIL

The Chair: Is Mr Wines here from the Automobile Repair Regulatory Council?

Mr Sampson: Julius is here.

Mr Julius Suraski: Gentlemen, my name is Julius Suraski.

The Chair: OK, Mr Suraski, if you'd please take the chair, read your name and who you're representing for the record. You will have 10 minutes. I'll try to give you maybe a one-minute warning for a windup because it is 10 minutes and we want to make sure everyone has an opportunity.

Mr Suraski: Thank you, sir. I'll be brief. My colleague Michael Wines will assist me in just a moment. I'm going to share my time with him. Good morning, gentlemen—

Mr Kwinter: On a point of order, Mr Chair: If you're sharing it, the person with whom you're sharing should be sitting beside you as well.

The Chair: Thank you. That's not a problem. Go ahead.

Mr Suraski: Good morning, Mr Chairman and members of the standing committee. My name is Julius Suraski. Among having been called a variety of different things in the past, I am the manager of the Automobile Repair Regulatory Council. I consider it a great privilege to be here before you today to speak in support of the Collision Repair Standards Act.

Seven years ago, I met with my MPP, Frank Klees, and asked him for some advice regarding a host of problems that faced the collision repair industry. He listened and then introduced me to Rob Sampson, who at that time was the minister responsible for the insurance portfolio. Here we are, seven years later, with the framework of the bill before you. My comments will be brief.

First and foremost, I want to congratulate and thank both Mr Klees and Mr Sampson for having the intestinal fortitude to have stickhandled this issue through some very raucous industry sessions, a general election and a new party leader and Premier. Even though it might not appear to be as important an issue as hydro and water purity, it is nevertheless an issue that is important to all those present in the hearing room today and for the thousands of employees who work in the industry. Gentlemen, you deserve our sincere praise and gratitude.

Before I speak further, I want to acknowledge in tribute, as Minister Klees did on first reading of the bill in the Legislature, the man to whom this bill is dedicated. Heinz Fuhrman, who passed away earlier this year before this bill came to fruition, was indeed an industry pioneer and an inspiration to all who had the opportunity to know and work with him on this long-time pursuit. Heinz successfully retired from his business several years ago, and although he earned the right to sit back and enjoy the fruits of his years of labour, he chose not to. Instead, he chose to be actively involved in the tireless pursuit of creating a level playing field for this industry and motivated many to pursue his ideal. I hope you choose to pass this bill as a testament to his hard work.

0940

In one moment, you will hear from my colleague Mike Wines about our initiative, which is the establishment of

the Automobile Repair Regulatory Council, in short known as the ARRC. I'm here to ask you to pass this bill and begin a very important process that will have great positive influences on the collision repair industry and for all car-owning consumers who have to deal with the results of motor vehicle collisions. In passing this bill, you will in essence be issuing a building permit for the industry to build this new house of regulations, a rulebook, which is so badly needed. Some of us believe this house should be a bungalow, others believe it should be two-storey, some of us want brick, others want block. Those are matters that are yet to be determined. I am certain, however, that there is no disagreement that the foundation should be strong in order to support whatever structure is to be built.

Here are some of the fundamental issues which we at the council believe need to be incorporated in order to create this strong foundation: consistent province-wide licensing for both repairers and appraisers; adherence to repair standards regardless of the payment source; and freedom to choose, full disclosure, accountability and full regard for all industry stakeholders in order to achieve and create a seamless delivery service.

Several years ago, we were involved in an industry war regarding the implementation of the collision reporting centres in the city of Toronto. It was a very divisive and pitched battle that fractured the industry along lines that depended on how their business was sourced. We engaged in a process where we tried to convince our municipal politicians to see what we considered to be so obvious. I recall towards the end of the process that a prominent councillor told me in confidence that his idea of good legislation was when everyone went home angry, suggesting that no one had achieved everything they had wanted. When I heard that expression, I was confused as to whether this represented genius or stupidity. I thought for a while and concluded that this was just plain stupidity and proceeded to tell him so.

That was seven years ago and, despite having ruminated over that comment, I am of the same mind today. What we're asking you to do today is pass this bill and then commit to developing the framework that focuses on one thing and one thing only: build this house so that it protects consumers. If we do that, I am of the firm belief that every person present in this room will go home happy and that we will have a most powerful piece of consumer legislation of which we can all be proud. Gentlemen, I thank you for your time and consideration.

Mr Michael Wines: Thank you very much for the opportunity to speak to you here today. I just want to take a few moments to share with you my feelings and to provide my input about the Collision Repair Standards Act.

Since 1994, I, along with others, have worked to help bring our industry to this point, a point where we as an industry are taking both control and responsibility for our businesses and our services to the consumer. It's been a long run to get here since those early travelling meetings around our province to speak to and meet with the many

different groups and associations, culminating—I thought at the time—with the founding of the Collision Industry Standards Council of Ontario, CISCO. Thanks to Minister Klees's help and determination, here we are today, speaking about a bill that is not only key and necessary, but also well overdue. As an industry, we are both ready and prepared.

Early this year, we formed the Automobile Repair Regulatory Council, the ARRC, in order to instigate some momentum, to let the public and government know that we are serious about regulation, not just talking and waiting for an outcome somewhere down the line in the distant future. We wanted to simply get on with the job at hand. Frankly, I felt then, and still feel, that such leadership has been lacking, and is vital to this cause.

Our program is really quite simple: it's all about servicing the customer properly and safely, and a firm commitment to stand by the quality of repairs, to the point where participating shops have agreed to binding arbitration when all else has failed, should the consumer be dissatisfied. The program is all about proper equipment, trained and qualified staff, proper repairs and consumer satisfaction and protection. It is not about control of their marketing, housekeeping, paperwork, business relationships and other unrelated matters. I've enclosed a copy of our program, along with a copy of my outline here today. You'll see that it's simple and to the point. It's all about the repair and the consumer.

My experience with the ARRC has clearly shown me that legitimate shops are more than willing—indeed, they are anxious—to get underway with regulating and being regulated. This is predominantly a proud group of business people ready for the next very important step in the development of our industry: to stabilize our resources, both labour and other.

This bill will serve both our industry and the consumer very well, and I think I speak for everyone here when I applaud the effort and the product of all concerned. I am not here to criticize the bill but I hope to contribute to this document in two ways which I feel are very important.

The first is to suggest that the insurance industry representatives placed on the advisory board be replaced with members from the Ministry of Consumer and Business Services, the ministry charged with this regulatory process. In this way, communications will be direct and efficient and the board will be able to function in a more effective manner.

My only objection to insurance representatives is that I simply don't feel that any of the areas of responsibility require the involvement of persons from outside our industry. In fact, what we require in our industry are hands-on experts, government representatives and members of the public. After all, this is about our industry and the consumer. Clearly, I have no objection to some form of communication structure in order to deal with any matters as necessary, but not regulation of shops. I have no desire to sit on an insurance board, and so it should be. They are in the business of insuring the public, with

all the concerns and specialties that entails. We are in the business of repairing cars.

Secondly, and finally, I strongly recommend that this bill include the licensing of appraisers, be they shop employees, shop owners, independents, or insurance staff. In this way, all those involved in the technical process of repairing that car are subject to the same criteria and the consumer is protected as regards the proper and safe repair of each car. The person completing the final appraisal is in fact determining just how that vehicle will be repaired.

In the case of an appraiser from outside the shop, either an independent or insurance company staff representative really leaves a set of repair instructions when that appraisal is completed. It is vital that these folks are able to be measured and that we know they are in fact qualified to fulfill this very critical function, namely deciding just how the car is to be repaired and with what parts.

As it now stands, there are no criteria to be an appraiser. Imagine how it feels to be a licensed auto-body repairer and have an unlicensed, possibly totally unqualified person come in to your place of business and then proceed to tell you how you are to repair the damage to your customer's car. The role played by all appraisers is key to this repair, and as such should certainly be under the regulation of this bill.

Thank you very much for your time and attention.

The Chair: Thank you, Mr Wines. We have time for probably about one question. Maybe we could rotate amongst the three caucuses. Is that all right? Good.

Why don't we begin with the official opposition.

Mr Kwinter: Yes, Mr Wines, I want to just ask you about your last point about licensing the appraisers. You list all the different types of people who can be an appraiser. How do you propose to license them? Would you set up some kind of criteria that they have to pass? How do you reach out to all the people who are doing it?

Mr Wines: People who are appraising in the shops—in the case of a direct-repair shop where they have the responsibility, say, to do the repair there based on their appraisal—would be the same process as the licensing of the shop itself. Independent appraisers work with insurance companies. They're existing businesses that insurance companies use and all shops are familiar with. The same is true with staff appraisers in insurance companies, so they're all locatable.

I think one of our keys and one of our concerns is that, as it stands right now, there is no qualification. So, everybody being locatable, same as the case with the shops, we can set up a measurement that they can be dealt with. It's more important that they have something to lose when there's a problem or rules aren't followed. So in order to be part of the process, you would simply require licensing.

The Chair: Thank you, gentlemen, for your presentation. We appreciate it.

Just to let the other delegates know, if you take the entire 10 minutes, then there will be no questions. If you

do leave a little bit of time, that will give us the opportunity to front some questions to you.

0950

COLLISION INDUSTRY STANDARDS COUNCIL OF ONTARIO

The Chair: Has Mr Szabo arrived?

Mr Alex Szabo: Yes.

The Chair: Thank you. The Collision Industry Standards Council of Ontario, we understand. Mr Szabo, please state your name for the record and who you represent, and proceed.

Mr Szabo: Alex Szabo. I'm representing CISCO and again, I apologize, Mr Chair and members of the committee, for being late. I want to thank you for allowing me to speak on behalf of the board of directors of CISCO and the collision and auto body industry in Ontario.

My name is Alex Szabo. I am president of the Collision Industry Standards Council of Ontario, CISCO, and a collision repair and auto refinish shop owner from Dundas, Ontario. I am the past president of the Hamilton District Autobody Repair Association, HARA, one of the largest local trade associations in Canada.

The Collision Industry Standards Council of Ontario is a non-profit corporation funded by the contributions from repair shops in the collision repair industry. CISCO is comprised of representatives from 15 associations representing collision repair shop owners across Ontario. CISCO was formed to address the many issues facing Ontario's collision repair industry. Founded in May 1998, CISCO's principal objective was to develop a program of mandatory accreditation for collision repair shops in order to improve customer protection and create a fair and level playing field for the industry.

Current regulation of the industry is fragmented, uneven and ineffective. The lack of consistent rules has created problems for consumers, collision repair facilities, the insurance industry and government. The collision repair industry needs to reach new levels of consumer protection, professional standards and regulatory compliance. We have worked with our industry and the insurance community to develop an accreditation proposal that will ensure safe, quality repairs for consumers at a fair price; effective and credible enforcement of standards and a code of ethics; a consumer bill of rights to further protect consumers; a fair and level playing field for facilities and consumers; fair and equitable business practices between collision repair and the insurance industry; and open and honest business competition.

Over 20% of the industry is illicit, meaning the facility is not licensed or currently municipally zoned, creating a black market for repairs. These shops will not conform to compliance requirements and are prevalent in the heavy urban areas, particularly as repair shops linked to a fleet of "chaser" tow trucks. They fear open identification because doing so would bring about attention to their activities by enforcement agencies and tax authorities.

They create significant problems for consumers as this activity favours chop shops that use stolen car parts for repairs, and they generate numerous complaints about their business practices. These shops are sometimes called midnight dumpers because of their reputation for waste disposal into the sewer system or the watershed at night and their lack of concern for airborne emissions, making the industry into a major source for odour emission complaints. Rarely does this type of shop pay Workplace Safety and Insurance Board premiums or have trades-licensed technicians working in their facilities.

Accreditation programs operated by public insurance companies are in place in Manitoba, Saskatchewan and British Columbia. The public insurance programs with the Insurance Company of British Columbia, Manitoba Public Insurance and Saskatchewan Government Insurance have obligated the collision repair industry to meet legal compliance and minimum equipment standards. CISCO's equipment standards are very similar to standards in western Canada.

It is important to note that the board of directors of CISCO made sure that the equipment standards were very similar to accepted equipment standards in western Canada. These standards have been in place for up to 10 years, with good success. CISCO did not want to be accused of designing standards that were elitist or could only be met by shops with significant capital investment. The equipment requirements in our program are consistent with other jurisdictions and necessary for the proper structural repair of a vehicle.

At present, consumers are often faced with making difficult decisions on vehicle repairs after a motor vehicle collision. Sometimes they are approached at the actual accident scenes on the roadway and solicited for their work. They are exposed to and have work completed at facilities that do not meet minimum standards for legal compliance, repair equipment and proper business practices.

An accreditation program would create a high standard for business conduct across the province and create a fair and level playing field for consumers and the industry. CISCO is proposing a consumer bill of rights that would be prominently displayed at every collision repair facility across the province. This would make sure that all consumers were aware of their rights in that facility.

Not all shops play by the rules. There are unlicensed back-street shops that use inappropriate materials and workmanship. They ignore the rules that other shops comply with every day. The unfair competition has resulted in reduced consumer protection, significant complaints from consumers and a negative impact on the image of the industry.

An accreditation program will standardize business practices and will ensure that all shops play by the same rules. Enforcement of the code of ethics will eliminate unlawful practices and ensure that all shops compete on the same level. Shops won't be able to cut costs by bending the rules.

The absence of business standards, inspection and enforcement creates situations where consumers may receive substandard repairs or workmanship which may result in safety problems, including structural integrity problems and erosion of the value of their vehicles. Major concerns have been documented where substandard work has been performed that shows up a year or more later, after the warranty period expires. An accreditation program would require accredited facilities to adhere to strict business standards and a code of ethics that provides a standard warranty, which includes a written warranty on workmanship for as long as the owner owns the vehicle.

A number of high-profile complaints and a serious safety problem for motorists occur when the structural repair of a vehicle is compromised. This may mean that damaged parts are not replaced or are improperly repaired or misaligned so that the vehicle will not have the same level of impact resistance in a future crash. The vehicle may handle or perform so badly that it may be more easily involved in a new accident. CISCO proposes that all accredited facilities must employ a qualified, trades-licensed technician who has met or exceeded the Ontario standards for skill levels in this trade.

Customers of collision repair shops should not be paying for services and parts not received. Some shops order new parts, charge the customer for them and then fix the old parts or use stolen parts, sending the new parts back to the dealer for credit. Motorists should not have to endure additional add-ons to their bill, such as inflated estimate charges, onerous storage and towing fees and administration costs that can be in the hundreds of dollars, with no work being performed. Insurers complain about having to shoulder the costs for some of these abuses. CISCO proposes that shops that continue these activities should face penalties and eventual licence revocation. CISCO can also pass on information on the activities found at these shops to other regulatory and enforcement agencies.

CISCO's proposal had broad input from the industry through 18 town hall meetings across the province. Over 3,000 information packages with the proposed standards were sent to every known shop in Ontario for their comment, and later were followed up with 7,000 mailers explaining our proposal. Many articles were written in our industry magazines as well as national newspapers. We are at present holding eight town hall information meetings across the province as far north as Thunder Bay, receiving unanimous approval for Bill 186.

Insurers are exhibiting caution on two issues. One is amending the Insurance Act allowing insurers to only pay certified collision repair facilities for repairs. We hope they would not want to deal with unethical shops that cannot properly and safely repair cars. Furthermore, why would paying only accredited shops be a problem if that becomes the law?

The other issue deals with their belief that Bill 186 will impact their DRP business relationships with shops. CISCO has communicated a clear message that our

proposal does not deal with insurance and shop business relationships. We do not see anything in Bill 186 that prohibits that relationship.

In closing, we urge all three parties—the members of this committee—to set aside political differences and agendas and allow Bill 186 to pass third reading to protect the consumers of Ontario from being cheated, ripped off and receiving unsafe repairs from unethical shops.

The collision and auto body industry is asking you to give us the tools to rid our sector of these unethical shops that prey on the unsuspecting motoring public. Our effort for accreditation has been ongoing for the past 15 years, and I would like to thank all three political parties for their consideration over that period of time. We are thankful to Rob Sampson and Frank Klees, their staff and ministry officials for their continued support.

Mr Kwinter: On a point of order, Mr Chairman: Could I just have the presenter explain what DRP is?

Mr Szabo: Direct repair programs.

The Chair: We have time for one quick question. Mr Christopherson is willing to defer to the government side for this one, and we'll pick him up next time.

Mr Sampson: There is some talk about trying to regulate the guys who do the appraisal work. Do you see that as part of this bill, or is that something we could deal with at a later date? I get the sense from you that there's no use regulating your business if the people you deal with—the ones who are doing the appraisals—are not regulated. Do you get some sense that that needs to be incorporated in this format?

Mr Szabo: I see that as coming down the road later. If the committee sees fit, there are some amendments to Bill 186 that we communicated. I don't see appraisers being part of this bill.

The Chair: Thank you, Mr Szabo.

That's all the time we have, Mr O'Toole. I'm sorry.

1000

COLLISION INDUSTRY ACTION GROUP

The Chair: Our next presenter is the Collision Industry Action Group. Please state your name for the record, sir. You'll have 10 minutes, with or without questions.

Mr John Norris: Thank you to the committee, and to those members whom we've had chats with before. It's nice to see you all again today. My name is John Norris. I'm the executive director of the Collision Industry Action Group. Again, thank you for the invitation today to speak with you regarding the Collision Repair Standards Act.

It's always fun to run into Queen's Park once you've been sitting on University Avenue for a while. Excuse me if I'm a little out of breath here. It's the best exercise I've had in weeks.

Mr Sampson: It's fun to run for Queen's Park too.

Mr Norris: Right.

The Collision Industry Action Group, or CIAG, is an amalgamation of the collision repair and auto refinish trade associations in Durham, Toronto, Peel and Hamilton-Niagara regions. A number of our member directors are here with us today to encourage the passage of Bill 186. I'd like to introduce to you Bill Strachan, one of our directors; Ralph D'Alessandro, one of our directors; and Tony Canadé, in the third row back, one of our directors. Have I missed anyone on this side? No. It's very nice to have them with us today in support.

The Collision Industry Action Group's members include almost 400 shop and supplier facilities, ranging from small two-man repair shops to large multinational coatings firms. The collision shop members we represent range from the small restoration shop with one or two employees—these are shops that simply take older cars, say an older Ford or Packard, and restore them—through large independent shops with several dozen employees, all the way to dealership collision centres, chain and franchised repair shops in the collision repair, auto body and auto refinish sectors.

Some shops only do exterior rust or what we call bump-and-dent-type repairs—they are auto body shops; some shops do only painting of a vehicle after the accident—they are auto refinish shops; and collision repair shops perform safe structural repairs to bring the car back to its original pre-accident condition. Each of these types of shops would need different equipment and different levels of trained personnel.

Our association and our member associations in regional areas have been involved in bringing workshops and consultations over the last four years across Ontario, listening to the industry—suppliers, insurers and partners—and using their comments and suggestions to help better refine the act and its future regulations. From Thunder Bay to Ottawa and from Windsor to eastern Ontario, the industry and trade associations have held or will hold over 20 of these opportunities for input.

As an industry group, we've always been concerned over unfair business practices: the chase shop—we call them that because they're chasing to accidents—that attracts its business from accident scenes while motorists are confused or injured, and shops that because of their lack of trained personnel and proper repair equipment required for that type of repair put public safety at risk with incomplete or fraudulent repair of a customer's car, a car that will be put back on the road and asked to perform at highway speeds and be able to absorb the next collision impact in the same fashion as the first accident.

The collision repair industry is currently unregulated. There is no consistent regulation for the almost 3,000 facilities in the province. Regrettably, this industry does have its fair share of unlicensed, poorly equipped facilities with staff that have no training and even less equipment. Their environmental controls for spray painting involve opening two bay doors at either end of the shop and hoping for a strong breeze. When you ask them if they are paying taxes and premiums to the workers' compensation board, they quickly change the subject or, in the case of one shop I visited, run out the back door.

A series of consistent standards as advocated in the Collision Repair Standards Act, 2002, would be a great means of having safe, consumer-friendly repairs. These standards would not be new. Indeed, shop standards and accreditation for Ontario means we would be the fourth province to put into use a series of accreditation standards, after BC, Saskatchewan and Manitoba. These programs in other Canadian provinces are used by the public insurers in those jurisdictions to identify which shops receive a higher labour rate for their work. Active insurer participation in those other provinces and the threat of insurer cash withholding for those not in compliance have been keys to the programs in other provinces.

Regulations can be added later, in consultation with the industry, government and others, to add substance and specifics to the bill. The CISCO package, which Mr Szabo was just indicating, is a very good start. We urge you today to approve the bill for third reading as written.

We also understand there will be those here today who will not be pleased with the bill. Some will be shops that do not want to meet legal compliance or are afraid that the correct equipment that is needed, and that they have been charging for its use, is not in their possession.

It was never the industry's position that shops would have to purchase equipment not needed for the type of repair being performed. If you are only doing auto body work and not structural repairs for collision, then items such as frame racks, anchoring or measuring systems or even spray booths, if no painting is being performed, would not be needed. Small shops will need to meet legal compliance standards that Ontario has in force now. They will not be obligated to buy expensive equipment that would never be used for the type of repair they are performing.

Instead of just performing, we would want to see this safely performed. Insurers, we would hope, would want to pay for repairs at shops that are accredited and provably safely and properly repairing collision-damaged vehicles. Why would an insurer want to continue paying shops that charge abusive billings to insurers and consumers and that don't have any ethics, equipment, training or environmental controls? I'm sure none of us would want to have one of these improperly repaired cars coming at us in the opposite lane at highway speeds. Insurers will only pay accredited doctors, dentists and attorneys; we're only suggesting they pay accredited collision repair facilities.

Regrettably, many illicit, polluting, improperly equipped and poorly trained shops profit from being paid for a shoddy or possibly unsafe repair by insurers in Ontario. I would hope that the reason for these continued payments to these horribly abusive repair facilities is because insurers are somehow unaware that they are rewarding this abuse and helping to promote and foster further consumer horror stories.

With strong consumer standards, insurers will now be able to save money instead of paying outrageous invoices for repairs not performed, and the industry's image and

credibility, its opportunity to attract eager new apprentices and the growing respect from protected consumers would all be well worth it.

I urge you to please support Bill 186.

I will answer any questions, if you have any.

The Chair: We'll begin with Mr Christopherson.

Mr David Christopherson (Hamilton West): John, welcome to Queen's Park. It's good to see you again. I just wanted to pick up on where you were on page 2, when you talked about some of the shops "that do not want to meet legal compliance or are afraid that the correct equipment that is needed, and that they have been charging for its use, is not in their possession."

My question is, do you think there are some that are actually going to fold up and disappear? Let me put it to you this way: of those that will not be pleased with this because it's contrary to the kind of work they do, what's your sense of what percentage will comply, how long for the message to get through that they have to comply, and what percentage of them do you think will just fold up shop and disappear because they never had any intention of staying in an industry where they have to meet regulated standards?

Mr Norris: We can judge by other areas. Broward county put in a similar program where they put in some requirements for facility development, and they had a loss of about 20% of the facilities. But the reality was, when they did the checking, 15% of those had no licence anyway. They were transient operators who opened up in a backyard or behind an oil lube shop. When the standards were put into place, they decided to go into more lucrative territory where they could apply their abusive practices in a county that didn't have those kinds of controls.

All the way along, one of the threats was that this might be perceived as elitist, that we're putting in equipment or terms or conditions that would foster bigger shops as opposed to smaller shops. Nothing could be further from the truth. A small facility that is charging for collision repair work, for structural work, that needs the equipment that's necessary—by the way, none of these were our ideas. I honestly will say that we plagiarized heavily from the other provinces that already had systems in place for over 10 years. Those facilities, if they need to do that repair work, will need that equipment.

If they decide they can no longer get away with charging for the equipment—never having had it there but being paid and rewarded all that time—and that those rewards are now coming to an end with the act, then our anticipation is they will want to either make available that equipment—and we're going to have programs that make sure they can access that; we have a compliance program now with Ontario that provides simplified compliance for facilities to help them out—or they will look at another type of work.

We talked about collision work and autobody work, where they can say, "I'm not interested in investing in that kind of equipment, but I have this equipment for this type of work. I'll continue to do this." So it's a long

answer, but I'm hoping that we're going to have all of them still left, but they'll have to decide on what type of level of repair they want to participate in. But I want to make it clear that the rules of Ontario apply to everyone, small or large. If we have a significant problem, as you are probably aware, with shops not paying worker's compensation premiums, that's the rules of the land.

Mr Christopherson: A quick statement, if I can. I just want to say that John brings great credibility here. He's widely known and respected in Hamilton. The fact that he's here making this presentation goes a long way with me.

The Chair: Thank you, Mr Christopherson. Thank you Mr Norris. We appreciate your input.

1010

PEEL VEHICLE REPAIRS ASSOCIATION

The Chair: Our next group is the Peel Vehicle Repairs Association. Please state your name for the record. You have 10 minutes.

Mr Tony Canadé: My name is Tony Canadé and I am director with the Peel Vehicle Repairs Association. Honourable Members of Parliament, committee members, ladies and gentlemen, good morning. Thank you for allowing me the opportunity to address the committee with regard to the Collision Repair Standards Act that is in front of us today. I'd like to take this opportunity first and foremost to promise you I will keep the presentation fairly short. It's very encouraging, in the three or four presentations that we've heard just this morning, the amount of support that we do have within the industry already. The amount of support that is out there as far as our employees and the public goes is very, very encouraging and, on the political side as well, with the parties that are present.

Our special thanks to Rob Sampson and Frank Klees for their hard work and dedication. I know both Rob and Frank have put countless hours into this project and we thank them for assisting us and helping us see this through to fruition.

As an industry, in Peel, we are in complete support of the Collision Repair Standards Act. What it means to us and what it means to our consumers as far as consumer protection, customer satisfaction and consumer confidence will be immeasurable. Unfortunately, we are at a state in our industry where, with lack of regulation, a lack of standards and a lack of definable ethics and business practices, we are marred and mired with various different types of opinions that, in a lot of cases, do not hold true. There are obviously bad seeds within our industry that, with the introduction of the Collision Repair Standards Act, will be corrected and hopefully moved forward to a better image for us, better customer protection and better customer confidence within the industry itself.

For the minimum standards that have been mentioned today, particularly those that were mentioned with regard to the Collision Industry Standards Council of Ontario, the PVRA was involved in the development of those

standards, that code of ethics and those business practices. Obviously, with our involvement and our participation, we are in total agreement with where they stand as far as what the requirements are.

I think it's important for everybody to realize that they are minimum standards. Someone had mentioned that it was very important for CISCO and the PVRA to ensure that we weren't some type of elitist group that sets standards too high to be met, thereby somewhat monopolizing the industry. That was not our intent from the beginning. What our intent was and what our intent remains and what the spirit of this act speaks to is the fact that if you are going to be in an industry, whatever that industry may be—in our particular case it's collision repair—then we must, all of us, whether we are in Wawa, Mississauga or someplace even more rural, meet the same standards as far as customer protection, equipment standards, repair quality, regulations for our taxes, business practices and environmental waste removal. We must adhere to those standards.

There have been conversations that revolve around the fact that small shops will be pushed out. I stand in front of you today—or sit in front of you, as I may—to tell you that that is not the case. In the proposal, there are various sectors of our industry—whether it be autobody repair, full collision repair, paint only or refinish only—and there are standards to be established for each and every one of those. If you are to participate in one of those sectors of our industry, then you must meet the minimum requirements required for those particular segments. It is only fair, it is only right and soon, hopefully, it is only as per the legislation.

This bill will address the elimination of the unethical and illegal operators who attack our environment, perform unsafe repairs and ultimately tarnish the reputation of our industry. It will address the facilities that lack quality standards. There are issues that we have mentioned with regard to the way collision repair is solicited and arrives at various facilities. Hopefully, this act will address some of those issues with regard to the regulations that are brought forth.

I have been involved with CISCO over the years and made tireless efforts with regard to meetings even with the insurers. Mr Sampson set up a committee three or four years ago, I believe, where he had realized that there was a need for the insurers to work with the collision repairers. The collision repairers did bring themselves to meet with the insurers. With that, we went through countless meetings and hours of deliberation and debate and came up with standards, ethics and practices that we felt were fair, equitable and logical for all who are involved.

We have been working on self-regulation with CISCO since 1998 and long before that in various segments of our industry, trying to get some type of standard, regulation or legislation that would assist us in maintaining a fair and level playing field.

I sit in front of you today to urge you to accept the Collision Repair Standards Act to assist us in pushing

that forward, in protecting the consumers of Ontario and in making sure that this industry has a fair and level playing field that everyone within the province of Ontario who wants to participate in our industry can adhere to. I thank you.

The Chair: Thank you, Mr Canadé. Continuing with our rotation, putting it back in order, the official opposition.

Mr Bruce Crozier (Essex): Thank you for your presentation. You've made a number of points. We know that this bill goes to the considerable length of having insurance companies deal with certified collision repair shops. You said that this bill addresses the elimination of unethical and illegal operators etc. We know that a significant part of repair work is done for people who don't want to make a claim to an insurance company. They just don't want to make that claim. We also know that there's a significant number of automobiles that are not insured for collision. How do you feel, in your words, this bill, then, will eliminate unethical and illegal operators if there's still that market out there that doesn't deal with insurance companies?

Mr Canadé: The bill as it stands may not address that. With a minor amendment, we would include all collision repair facilities in Ontario.

Mr Crozier: In other words, what you'd like to see is not just certified and decertified shops. You'd like to see shops that have to be certified or put out of business.

Mr Canadé: Yes.

Mr Crozier: And this bill doesn't do that.

Mr Canadé: As it stands, the bill does not do that. Hopefully, there can be a minor amendment that will address that. It was always our intent that, in our personal association, we would ensure that every facility within Ontario would meet the standards, whether they are doing insurance work, non-insurance work, dealer work, whatever the case may be. The bottom line is that they are still repairing vehicles for the consumers of Ontario and as such should be held to the same standards, whoever is paying that bill.

The Chair: Thank you, Mr Canadé. We appreciate it.

1020

COLLEX COLLISION EXPERTS

The Chair: The next presenter is Collex Collision Experts, Mr Strachan. Are you presenting alone, sir? Please state your name for the record, and welcome.

Mr William Strachan: Thank you. Mr Chairman and committee members, my name is Bill Strachan. I am one of the owners and president of Collex Collision, a family-owned business for 25 years in the city of Brampton.

First, I would like to personally thank you for all your efforts with regard to Bill 186, badly needed legislation to clean up the collision repair industry and hopefully to put some semblance of order into the towing industry.

This bill, as presently written, will further improve highway safety and establish consumer protection through regulation of the collision repair industry. It will

make a complementary amendment to the Insurance Act which will improve the relationship with the paying customer and further support proper collision repair. This will stop unaccredited, backyard shops that are unlicensed, not trained, not properly equipped, not following present environmental requirements, not bringing safety back into repairs and, in most cases, not collecting the necessary taxes, which further tarnish the collision industry that I so proudly represent.

Bill 186 will establish province-wide standards for vehicle repairs. Training through apprenticeship at our schools and colleges will give unaccredited repair shops the time and opportunity to improve their operations and come up to standard. We in the collision industry are presently unable to repair all the vehicles that require collision repairs, mainly because we do not have enough trained employees as we stand.

This bill will provide a fair marketplace for those who choose the profession I have done over the last 40 years of my career.

In closing, I feel Bill 186, as written, with the exception of maybe some minor wording, will be a giant step for the collision industry and its future. Properly implemented and controlled, this will attract the youth of today to consider the collision industry, a profession that I have been proud to be part of.

Should anybody on the committee require any clarification on any aspect of the collision industry, I can be reached 24 hours a day, seven days a week on my cell phone. I thank you for giving me an opportunity to speak.

The Chair: Thank you, Mr Strachan. I can attest to the 24-hour availability of Mr Strachan. In our rotation we will go to the NDP.

Mr Christopherson: Thank you, sir, for your presentation. If you're going to be on duty 24 hours a day, seven days a week, you might as well run for office.

Mr Marcel Beaubien (Lambton-Kent-Middlesex): He wouldn't make as much money, though.

Mr Christopherson: Yes, I'm not going to go there.

Mr Beaubien: He won't have a pension either.

Mr Christopherson: Whose fault would that be?

I was interested that you did raise the issue of not having enough properly trained employees. We know from all the studies that are happening right across our province and, indeed, right across the country—we're facing it now and it's going to get more acute—the shortage of skilled tradespeople. Again, it's a little off subject, but I'm curious as to how you see that being resolved, given that we're setting new regulations and standards. Obviously that requires adequately and sufficiently trained employees to deliver to the standard. In the absence of them it would seem to me it'll be difficult to reach those standards, no matter how much you as an owner-manager may want. If you don't have somebody on the shop floor who knows exactly what they're doing and how to work to the standards that are now expected of them, it's going to be difficult even for a high-level, quality professional shop like your own. Can

you give me a sense of how you see that resolving itself, say over the next five years?

Mr Strachan: As I say in my brief, and maybe you misunderstood, one of the things that we haven't done in our profession is attract the youth of today. By many means, people have conceived the collision repair industry as a dirty, filthy job. If you go to the schools, they teach them how to weld patches and do body filler in rusty old cars. Really that's not what we do. In raising the bar and making it so that we're all going to have to meet standards, we will attract the youth of today into our industry. We're finding that even happening now since we put out a CD-ROM attracting the youth of today to what really goes on in the collision industry.

I run a co-op program. The teachers and kids who come to our shop are just amazed at the high-tech that goes on in a collision repair facility today versus what it used to be in the past. So I feel that the youth of today will come on board and be part of our collision industry, instead of walking away from it because they've always looked at it as a dirty, filthy job. As I speak, I have two co-op students and they're staying with me. So we're attracting the youth of today by encouraging them. They know that there's going to be a sense of order in where we're going in the future and that their future will be good in the industry, because it is very well rewarded if a person is a professional.

Mr Christopherson: Have I still got a minute, or am I done?

The Chair: Yes, you've got about a minute. Then we'll have two minutes each for the other two caucuses.

Mr Strachan: I don't know if that answers your question.

Mr Christopherson: No, that was great. That's excellent. That's right to the point I was raising. Is there anything else obvious that comes to you that either the government or the industry overall could be doing to get that message out further? It's great you've got some publicity there, but obviously more is going to be needed if we're going to change attitudes; for instance, at the community colleges, at the high school level. Is that sort of thing happening, or is that the next step that should go in tandem with this?

Mr Strachan: It's happening as we speak anyway, because at Mohawk College and Sheridan College the bar is being raised every day. If you go to Mohawk College, they have nothing but brand new General Motors cars that they are working on there. If you go to the facility, it will just blow your mind because there's no junk, as I call it, or old cars. That's one of the things we don't have in the schools today, which we've been working on, trying to get the schools in our municipalities to bring the collision teacher up to speed, too.

One of the gentlemen who worked for me has gone to teach at North Park Secondary School. He's up to snuff. He's just left the industry. He's young, he's youthful and he's high-tech, whereas the fellows who have been there for 20 years haven't kept up with the training. So they have an opportunity to see the new pulling equipment,

the new spraying equipment and the new painting equipment. That's attracting the youth. They bring children out to the shops so they can see what's going on. So we're catching a few kids now, whereas before we went through a vacuum for a few years where there was nobody coming into the system. It was just non-existent. I have three people in my organization who have come through the system and have stayed with me, and I have two more on stream. That's what most of the shops are doing now.

Mr Christopherson: Great. Thank you, sir. I appreciate it

The Chair: We go to the government side and Mr Klees.

Hon Frank Klees (Minister of Tourism and Recreation): Mr Strachan, thank you for your presentation. I want to also take this opportunity to thank my colleague Rob Sampson for picking up the slack on this bill. As many people here know, I've been working on this project for some time. I think it's a great example, actually, of how our parliamentary system can work.

Mr Julius Suraski brought this matter to my attention when I was first elected. It was shortly after the 1995 election. He showed up in my constituency office to tell me about some problems in the collision repair industry. I knew there were some problems, only through my personal experiences, but I had no idea how far-reaching. I had no idea there were no province-wide standards in this industry. Over that period of time, of course, we've consulted broadly with the industry.

I've been looking forward to this day when we could actually get this bill before hearings and have members of the industry make their submissions and have my colleagues in the Legislature hear first-hand from people who are on the front lines what the issues are. I'm encouraged by the fact that there's a fairly good consensus that there's a responsibility on the part of government to address this issue. It's not perfect, and what we're hearing is that there are number of areas where it could be this way or it could be that way, and I'm sure there will be some amendments this afternoon.

But I do think it's important for us to understand that this is a starting point. We need to get something in place in this province where the industry can have a sense of confidence that there are some standards, and there will be other opportunities, I'm sure, to further refine this legislation.

The Chair: Thank you, Mr Klees. I appreciate it. Mr Kwinter?

Mr Kwinter: Thank you very much, Mr Strachan. I appreciate your presentation. I have a question. In your presentation you talk about how this bill will stop unaccredited, backyard shops that are unlicensed, not trained, not properly equipped, do not follow present environment requirements, do not bring safety back into repair and in most cases are not collecting the necessary taxes. How do you propose that this is going to be regulated? It would seem to me that, given the number of shops all over Ontario, there's going to have to be a

pretty sizable inspection capability to be able to do this. What I really want to know is, how do you envision that happening and who's going to pay for it? Is this something that will be paid for by the association of whatever it is—and that's another comment I have. I notice there are at least six different associations or groups representing the auto repair industry, all of them supporting Bill 186 but all of them having specific issues that aren't, in their opinion, addressed by Bill 186. How do you see this working, and how do you see it being financed?

1030

Mr Strachan: I suspect that when they implement this and we put it into being, there will be a charge to the shop for being accredited and there will be inspectors to go in and make sure that, first of all, the standard will be set—and I'm sure they will receive where they're supposed to be and what they're supposed to be doing. But it should have been that way to start with. We in Brampton are licensed by the city of Brampton and, in doing so, I had to have certain things in place. I have to have insurance, I have to be paying my workmen's compensation and things like that. Those things are all answered when you apply for your licence.

In my town, I find that we have a lot of these units out the back, where these small operators are in it for two or three months and then back out again, and they don't have any equipment. Consequently, I've had to call the environmental people on several occasions, when I'd come in to work on Monday morning and find my cars in the yard all dusted with over-spray. I'm faced with the task of polishing and cleaning up 20 or 30 cars that have been sitting out on my facility over the weekend and have been dusted with spray paint from some of these backyard shops that are just behind me. I have no control over that.

In trying to regulate these people, some of them will be squeezed out of business because they won't want to come up to standards. But I think it'll be financed through the accreditation program, meaning there will an infrastructure put in place and then there will be a charge to each shop to go through the thing and be accredited and have a stamp of approval. Down the road, if there are complaints about it, then there will be an arbitration board to deal with the people who are not fulfilling standards.

On a single day at Collex, in the 25 years I've been in business, I have, on average, at least one complaint a day from a consumer who is either concerned that he can't get his car to my shop or he has a concern that he's had his car fixed at a shop and it wasn't fixed properly and what should he do. I spend a pile of time every day consulting with a consumer who has been ripped off or has been manipulated by a poor system, and they don't feel they have any ways or means of getting any correction into the scenario.

If it's all put together properly and it's policed properly, it could be a great step forward for the industry and for the safety of the cars on the road, as we speak. There

are cars being put back on the road without the airbags put back in them. I just don't understand that; there's no logic to that, although I know it's a secondary restraint system. I don't know whether I've answered your question properly or not.

The Chair: Regardless, your time is up. Thank you, Mr Strachan. We appreciate your time here today.

ONTARIO AND TORONTO AUTOMOBILE DEALERS' ASSOCIATION

The Chair: Our next presenter is the Ontario and Toronto Automobile Dealers' Association. Sir, if you would be kind enough to state your name for the record. I think, for you, this should be a familiar environment

Mr Bill Davis: I think I was here once or twice. I'm Bill Davis. I'm the executive director of the Ontario and Toronto Automobile Dealers' Association. I'm here to confirm the support of our 1,000 new car franchise dealers for Bill 186. Approximately one half of our members own and operate a collision repair facility while the other half of the membership has a business agreement with independent collision repair shops to repair and repaint damaged vehicles.

Perhaps it would be beneficial to the committee if I gave a brief history of the rationale for our association's interest and support of a certification program and self-management for the collision repair industry. As you may be aware, the retail automobile industry was the first industry to be granted the opportunity of self-management several years ago, and many of the issues that drove that agenda are the same issues facing the collision repair industry in Ontario today.

I believe it was in late 1995-96 that the city of Toronto undertook a program to regulate the towing industry to protect consumers from unscrupulous operators. Part of that program was the institution of an accreditation program requiring the collision repair facilities to conform to those standards if they wanted to have their facility listed in the accident reporting stations. In the debate at city council, representatives opposing the bylaw indicated there were 1,500 body shops in the city. The Toronto licensing authorities had only issued 500 licenses in this category. This meant there were approximately 1,000 auto body shops operating without a business license, often undetected in strip malls or backyard operations, that also did not comply with other legislative regulations such as the Ministry of the Environment, the Ministry of Labour, WSIB and so forth.

Consumers, employees and our environment were at risk as some operators spilled hazardous materials down the sewer, spray-painted vehicles in open spaces rather than in spray booths and exposed the public, employees and local communities to hazardous discharges. These operators also created an uneven marketplace because they did not pay for WSIB, nor did they expend funds for proper equipment, nor did they meet ESA wages. So in reality, they had a competitive edge on the collision

repair shops that conformed to all the legislation and regulations that governed their industry.

In light of these factors, Mr Frank Klees, MPP, believed the issue had provincial ramifications and held meetings with the collision industry to determine the reality of the issues raised in the city of Toronto. These discussions indicated there were deep problems in the collision repair industry that sacrificed the safety of repairs, contributed to environmental concerns of the day and ignored the legislative regulations that governed the industry. Mr Klees, in concert with his colleague the Honourable Rob Sampson, determined the industry had sufficient maturity to address and rectify the issues through a program of universal accreditation and self-management similar to the real estate industry, automobile dealers, travel industry, funeral homes and cemeteries that had recently been granted the status of self-management.

At an initial meeting early in 1997, over 100 owners and operators of collision repair shops met to discuss a provincial-wide accreditation program that would establish standards for the collision repair industry in Ontario. A small working group of collision shop representatives were elected to pursue the objectives of self-management and to establish criteria for industry standards that would ensure that the quality of repairs was safe, that the equipment used met the technical standards of the day and that collision shops conformed to the legislation that regulated their operation.

After five years of dedicated hard work and forming strategic alliances with the insurance industry and provincial ministries, the committee produced a model for self-management and accreditation for the collision repair industry in Ontario. The draft proposal was discussed at several town meetings across the province and met with unanimous approval.

I'm here today to ask for your support of Bill 186. This bill will provide the foundation for guidelines that are necessary for a successful accreditation program. The passage of Bill 186 will ensure that the unregulated collision repair industry meets and conforms to standards that will accomplish the following objectives and goals: provide for safe, quality and cost-effective repairs that will provide consumer safety; ensure all accredited facilities comply with the legislation that presently governs their industry; bring to a halt the disposal of untreated hazardous waste materials through dumping into sewers or landfill sites; require the proper facilities and procedures under law to remove hazardous waste through agreements with recognized licensed waste haulers; require proper equipment to be used in the repair of vehicles to ensure the quality of the repair and ensure vehicles are safe and roadworthy when returned to the consumer; protect consumer, community and employee health and safety by requiring proper facilities to paint vehicles, including spray booths; standardize invoices and work orders to record repair costs and afford consumer protection; and create a level playing field in the marketplace so no operator will have a competitive

advantage over another repairer because they do not pay appropriate taxes, invest in proper and safe repair equipment or do not employ qualified tradespersons.

The draft proposal recognizes the unique features and limited resources of the small collision repair shops to meet compliance requirements within short periods of time. The CISCO plan called for some financial support to assist those shops to meet the new standards through a transition period. The insurance industry was an active partner in designing the draft documents and was supportive of the accreditation program. Of course, they didn't agree to every recommendation, but in the majority of instances, we found a mutually agreeable resolution.

I must say that we find it difficult to comprehend the position taken by some insurance leaders who support the accreditation program, but would like to maintain their autonomy in determining what repair facility they select to repair a vehicle. Why would an insurer like the ability to direct a client to a repair facility that was not accredited, thus exposing their client to unsafe repairs or an employee or a community to uncontrolled hazardous waste discharge?

1040

Throughout the discussion over the past five years, the objective of accreditation and self-management of the collision repair industry was never to end the preferred shops system. Rather, it was to bring safety in repairs that met an industrial standard, the use of proper and approved equipment to ensure safe repairs, a code of ethics that governed the business transactions of the day, consumer protection in universal warranty of repairs and standardized work invoices, along with conformity to existing legislation that governs the workplace of today.

We would request the committee to consider amending Bill 186 so that the legislation applies to all collision repair shops that wish to operate in Ontario. This amendment would ensure that all consumers receive safe and quality repairs, a standardization of business practices through the province, protection for the environment, commitment to a business code of ethics, and conformity to the legislation that governs the marketplace.

Thank you for your time. I'd be prepared to answer any questions.

The Chair: Thank you, Mr Davis. We have time for one quick question from each caucus, beginning with the NDP.

Mr Christopherson: Thank you, Mr Davis, for your presentation.

Probably more of a clarification than a question, but on page 4, third paragraph from the bottom, where you start with, "I must say we find it difficult to comprehend the position taken by some insurance leaders who support the accreditation program, but would like to maintain their autonomy in determining what repair facility..." and in the next sentence where you say, "Why would an insurer like the ability to direct a client to a repair facility that was not accredited," the query I have is this. In setting up the point, it seemed to me you were saying that

you have insurance companies that like the accreditation idea and thought this was a good thing to do, but they still want the ability to direct, and then there seems to be an assumption in the paragraph that there are some insurers who will be hypocritical about it to the extent that they will support the accreditation program but would still direct clients to non-accredited ones. Is that accurate in terms of what you're suggesting?

Mr Davis: I would suggest that's a possibility. That's why I put it there. There could be a body shop that's fairly successful in a smaller community that doesn't meet the requirements, and rather than moving that vehicle from that community which they indicate in the north is a problem for them, the insurance company then would have it serviced there. There's a possibility that it exists, so let's take the possibility away.

Mr Christopherson: Maybe we should prohibit insurance companies outright from being able to do that.

The Chair: OK. We go to the government side.

Mr Beaubien: I'll follow up on this, because this is the one I wanted to flag. Why do you think the insurance industry wants to maintain a stranglehold on the repairs? What's your personal opinion?

Mr Davis: We don't have any problem with DRPs, or preferred shops. It's the way the system works, and it works well.

Mr Beaubien: Does it work well for the customer?

Mr Davis: It works well for the customer as well. But the insurers were part and parcel of the program. The problem they didn't like in the beginning was the number of seats they have on the self-management committee. We've been reading lately where some of the insurance individuals are suggesting that they would like the right to direct the consumer. That exists. But if you don't control the whole industry, there is a distinct possibility that the insurer could direct the consumer to a shop that doesn't meet the standards. Therefore, in my opinion, the consumer is at risk; there's no guarantee that the repairs are done safely. I think that's one of the fallacies we have to cover in the act.

The Chair: Thank you. We go to the Liberal caucus.

Mr Kwinter: Thanks. Bill. I appreciate your presentation. I want to follow up on the same issue. I'm not quite sure I have the same interpretation as you. I can't imagine that any insurance company would refer a customer to a shop that was not accredited. I think the issue, and we're going to have a chance because we have some insurance people making presentations—they're saying, and again, I'd like to find out, that they have no problem with accreditation, but they still want to retain the right to direct their policyholders to shops that they have a good experience with, that they have a relationship with. It doesn't imply that they are not accredited. So I would really like your clarification.

Mr Davis: Neither does it imply that they are accredited. It doesn't imply that. The assumption you have made, Mr Kwinter, with all due respect, is that the insurance company will direct them to an accredited shop. The assumption I have made is that that may not always be the case.

Mr Kwinter: Under this act they have to. The only people who can be operating are accredited shops. As I say, we'll have a chance to explore this after. I can't believe that an insurance company would direct a policyholder to a shop that is operating illegally. I just can't believe that.

The Chair: Thank you, Mr Kwinter. We'll have to cut it at that. Thank you, Mr Davis, for your presentation.

INSURANCE BUREAU OF CANADA

The Chair: Next we have the Insurance Bureau of Canada. Please indicate your names for the record. I remind you that you have 10 minutes, and that includes questions, so I would encourage particularly the MPPs to keep your questions shorter if you want a good answer from the delegates.

Mr Mark Yakabuski: Good morning, Mr Chairman. Thank you very much for the opportunity to appear before this committee to discuss what we consider a very important piece of legislation. Let me begin by saying that my name is Mark Yakabuski. I am the Ontario vice-president of the Insurance Bureau of Canada. With me this morning is Ted Doyle, the vice-president of property claims for ING Canada, the largest auto insurer in the province.

IBC is the national trade association representing most auto, home and business insurance companies. Our industry employs nearly 40,000 people in Ontario alone, and we underwrite over \$10 billion worth of insurance premiums in the province annually.

Let's begin, by way of background, by saying that establishing high standards of quality for automotive repair is absolutely fundamental to our business. Auto insurers in Ontario spend nearly \$1.8 billion annually on expenses related to vehicle repairs. Indeed, over 70% of all collision repairs done in Ontario are funded by insurance companies. It is our responsibility to our customers to ensure that these repairs are of the highest possible quality.

For this reason, and others have stated this already this morning—they're right—the Insurance Bureau of Canada and our industry have long been supporters of accreditation in the collision repair industry. In fact, we actually contributed to the founding of the Collision Industry Standards Council of Ontario, otherwise known as CISCO—I think you're going to be hearing from them shortly if you haven't already—an organization that has been instrumental in advancing the idea of accreditation. For close to two years, senior members of our industry worked with CISCO to develop very detailed draft accreditation and regulatory standards for collision repair facilities. It is our sincere hope that these standards will form the basis of any future accreditation program.

One of the principles on which our discussions with CISCO were based was that accreditation would not be used as an attempt to undermine the preferred shop programs developed by many auto insurers. There has to be a distinction made between an accreditation/

certification program and preferred shop programs, as exist currently in the industry. Under these preferred shop programs, auto insurers negotiate cost-effective pricing for our customers based on providing a volume of repairs to selected repair facilities that meet our quality standards, and in turn we guarantee these repairs to our policyholders.

More important, insurers receive the assurance that the work they pay for is completed in a professional manner. I want to underline this point: the preferred shop program of insurers has been thoroughly investigated by the federal bureau of competition policy. The bureau has clearly stated that preferred shops not only do not inhibit competition in the collision repair industry; they significantly improve the quality of repairs for insurance customers, and that's our bottom line.

1050

The preferred shop repair program is a central part of insurers' efforts to control vehicle repair costs, the single most important and expensive component of your automobile insurance policy. This has been a real challenge in recent years, as the growing complexity and sophistication of automobile construction has dramatically increased the cost of repairing most cars. Without the existence of these preferred programs, most auto insurers estimate that their total repair costs would be significantly higher, placing considerable pressure on premiums for our customers.

Unfortunately, Bill 186 goes beyond IBC's original discussions with CISCO and in our estimation the bill severely limits the ability of insurers to operate preferred shop programs, at least as it is currently drafted. I'm encouraged to hear that others are saying, "We're not attacking the preferred shop program. If we can accommodate the preferred shop program within the confines of this bill, let's do it; let's amend it." I am delighted to hear that because that is exactly what we think ought to be done.

But under the bill as it currently stands, the ability to operate a preferred shop program is severely limited. The amendments to the Insurance Act contained in the bill would have the effect of obligating insurers to pay for repairs at any collision repair facility as long as it was certified and the work was performed, under the bill, "at a price that is competitive." Our legal counsel has advised us that in this context, "competitive" has absolutely no meaning and is not defined in the bill. There is no guarantee, as this bill currently stands, that we would continue to be able to pass the savings that we have been able to generate on to our customers. That, for us, has just got to be of primary importance.

Let me state categorically that I want to clarify this idea that the industry is interested in directing work to shops that are not certified or that would not be certified. Nothing could be further from the truth. The industry has no difficulty whatsoever in accepting that preferred shops, and I mean all preferred shops, must be certified, period. We are confident that all the shops that currently participate in these programs already meet or exceed whatever standards would likely be set under this bill.

However, any restriction on the ability of insurers to reimburse repairs at preferred prices and preferred rates as we have currently negotiated is unacceptable to us and to our customers, as you can well understand.

Insurance payments should not be used as a tool to enforce certification standards indirectly, as happens under this bill. What we would propose as an alternative—in fact, we think it would be more effective—is to remove these references to the Insurance Act and explicitly require that any collision repair facility wishing to operate in Ontario must be certified, period. Certification would essentially serve as a licensing system whereby facilities that do not meet minimum standards would not be allowed to operate. This is where this bill has to be improved as well. Strict standards and sanctions have to be included in this bill for those facilities that defy the law.

I want very quickly to tell you also that there is a need in this bill for some regulation-making power. We anticipate that, this being a new program, there will be a lot of twists and turns that we can't perfectly predict today. If you want to be able to implement this legislation, you must give the government adequate regulation-making power to do so specifically in identifying the kinds of repair work that are subject to certification.

I hope this has been helpful in identifying some of the improvements that we think are needed in this bill. I want to point out also that we do not want to sit on the advisory board. We do not want to be in a conflict of interest. We do not want people to say that insurers are skewing the standards because they pay for 70% of the repairs. Having said that, we'd be happy to answer any of your questions.

The Chair: Unfortunately you've left no time, but we thank you very much for your presentation, sir. I'm sure there are others who may permit that.

AUTOMOBILE REPAIR REGULATORY COUNCIL

The Chair: Our next presenter is the Automobile Repair Regulatory Council. Is the representative of that body here? Mr Borson? Please state your name for the record, sir. You have 10 minutes.

Mr Chris Borson: Good morning, Chair and honourable members. My name is Chris Borson. There's been a lot of discussion this morning, and some of this may be redundant now, because a lot of people have touched on a lot of key issues.

I'm a member of ARRC, and I am also an independent auto body repair shop owner in the city of Toronto. I would like to express my support for the act; however, I do have some concerns that I would like to bring to the attention of the members. They're listed in the handout I've given you—they're actually very short—and I will comment briefly on them.

The act should be amended to specify independent body shop owners rather than persons who work in the collision repair industry. The sole reason behind my

saying that is, we can't just choose somebody who's worked in the industry for a couple of years. A shop owner generally has had a lot of experience in the industry and knows the ins and outs and the things that affect our industry.

Next, the act should be amended to not include representatives of the insurance companies, for this would infect the whole process with bias and prejudice. The gentleman who spoke just before me did indicate that 70% of repairs are being paid by the insurance companies. I can see that as definitely making them biased, in the event they were going to be sitting on the committee, in regard to making the regulations and rules. Further to that—and a fact that has also been brought before you a couple of times—the act should require that appraisers be licensed and serve an apprenticeship in real-world surroundings. Just as mechanics and auto body technicians have to serve an apprenticeship and have some real-world experience, I believe appraisers should be made to qualify in that way.

The act should require that the insurers clearly inform the consumer how the repairs will be executed in the event of a claim or loss. I find from my personal experience that many clients do not know what their policies cover, what they're going to be entitled to and how things will be done once they an accident or loss that they have to deal with.

I'll briefly reiterate what my understanding of the primary purpose of this act is: to bring forth an evolutionary process by which the consumers and your constituents will be treated fairly. This can only be accomplished if the parties involved in setting forth the regulations are open-minded individuals who are not prejudiced or biased.

I'm going to make reference to an article from Collision Repair magazine, written by a gentleman by the name of Jay Perry, in *Who's Driving?* It indicates right in the article that the insurance companies do influence the decisions of their clients. I look at that and say to myself, "If this act is to protect the consumer, should the consumer not have enough education, either by the people selling them the policy or by the repair industry, to be able to make a decision himself on where he's going to have his vehicle repaired, rather than being steered?" The article confirms that insurance companies do in fact steer their clients.

Consumers often pay their respective insurers in full in the expectation of problem-free service when it's required. However, they're not privy to certain pertinent information, such as the insurer's intent to do the following in order to fill their contractual obligation to the insured: the insurer's intent to direct them to shops where they get cheap or discounted rates—you know the old adage, "You get what you pay for"; the insurer's intent to use parts of questionable quality and integrity. I'll make reference to an article from Bodyshop Magazine, 2002, which you have before you: "An overwhelming number of shops are mandated to use particular aftermarket parts by their insurers, despite a firm belief

that neither the insurance companies nor the shops themselves are well-enough informed to make time-effective decisions." Reiterating that, we do not have adequate information to project the possible and probable implications to the consumer when using these apparently inferior parts.

I can give you a personal example of that from an experience I've had in my shop, and again, this seriously affected the consumer. I had a vehicle that came in; it was a 1988 Cadillac that was hit in the back bumper. It was a chrome bumper, and it was damaged to the extent that it needed replacement. It wasn't rusted; it was the original bumper on the car. We put a replacement bumper on, and the insurance company mandated us to use an aftermarket replacement part. The fit was actually fairly good; it did fit well, I can say. The part had a one-year warranty on it. Fourteen months after completion of the repair, the vehicle returned to my shop with the bumper rusted from the left side to the right side. It still fit the same as when we put it on. That hadn't changed. However, when we called the supplier, who was also suggested to us by the insurance company and listed on the estimate, the supplier said, "There's a one-year warranty on it. We can't do anything for you."

We called the insurer and explained to them what the problem was. The insurance company said, "That's the warranty of the manufacturer of that part. We can't do anything for you." It was strange, however, to see that the original GM bumper that was on this vehicle had sustained 10 years of weathering and driving conditions without having any rust on it but had to be replaced because of the damage to it, but the aftermarket part didn't take 14 months of driving on the road. Nobody wanted to do anything with it, and the consumer was basically left with this.

1100

To interject on a lighter note, I'll give you an analogy I've used to describe the service consumers experience with their insurers daily. As I said before, they are paid on the presumption of service. Can the members imagine going to a restaurant and paying hundreds of dollars in the presumption of getting a good meal, sitting down at the table, getting ready to eat and having the chef come out with a knife and saying, "Here you go. There's a bunch of pigs running around in the backyard. Go outside, kill yourself a pig, bring it in and I'll grill it for you." Clients aren't told by their insurance companies, "If you have an accident, you'll have to go shopping around from shop to shop for us getting estimates," which is not specified anywhere in the insurance policy. It says the insurer has to be given the opportunity to inspect the damages they'll be paying for.

I have clients who come to me all the time, frustrated consumers saying, "My insurance company told me I have to get three estimates. I've lost a day of work. I've been on the road for four hours," and we all know what the price of gas has gone up to nowadays. I say to the client, "Isn't that great? You paid your insurer in the expectation of service. Did they not tell you that you

could go to one shop, get an estimate and they can make a decision from there?" "No. They wanted me to go shopping."

These are all concerns I see as an independent shop owner. They are definitely things that I feel affect the consumer directly. If this act is to take into consideration the consumer, then we have to look at it from a different perspective than the one I just pointed out to you, where consumers are not educated well enough. Many times they do not know what they're paying for when they get an insurance policy, and it's not explained to them in simple enough terms for many insureds to understand.

In summary, I would like to see the overall image and performance of our industry shift in a positive direction. This can only happen if we can attract and procure skilled labour by ensuring proper compensation to prospective employees and the ability to feel they are part of a proud and prosperous industry. Having repair procedures and labour rates compromised at the expense of the consumer to try to satisfy corporate agendas will only sabotage any hopes for this.

The Vice-Chair (Mr Ted Arnott): We have time for one brief question; we have about a minute. Mr Christopherson, do you have a question?

Mr Christopherson: Actually more than just a specific question. Given the nature of the subcommittee report, which I assume was adopted as was recommended, we've got to have unanimity here to carry this afternoon and follow the fast track Mr Sampson has requested.

I've got to tell you, right now I'm finding some concerns, at least things I'd like clarified. It's not so much that I'm going after things, but the points made here on behalf of the consumer—it's one of the few presentations where the main focus has been on the consumer, and that's important element of this. At the end of the day, that really is what this is all about. That's why all these people are here and that's why they're in business, to take care of customers. Some of these concerns, and also some of the concerns raised by the insurance representative a little while ago, need some fleshing out, and I'm concerned about whether we're going to have time. And when I look at the bill, I see a further concern, at least in terms of clarification.

I'm sorry to use my time on this point, but I'm actually advocating for the issues you're raising. I'm seeking some guidance, Chair, through you to Mr Sampson or others, as to how we accommodate some time—and maybe it's just time, Rob—to clarify it. But I've got to tell you, as things stand right now, there have been a couple of issues that I need clarified.

The Vice-Chair: Actually, you two could have a private conversation afterwards. Would that make sense, or do you want to have—

Mr Christopherson: Except, Chair, that it requires unanimity for this to move forward, so it is committee business for us all to be onside.

Mr Sampson: I'm led to believe that the House leaders are going to provide some freedom for the

committees to deal with bills before them and that there's something coming before the House potentially this afternoon to speak to that. That was told to me about five minutes ago. That may give this committee some freedom to meet again on this issue and, therefore, give us time to further consider amendments, many of which we've circulated already and talked about. Some good ideas have come up, and I'd hate to move ahead on a bill that didn't incorporate the good ideas.

Mr Christopherson: Absolutely.

Mr Sampson: I'm sensitive to your point. I'm told there may be some relief coming forward. If that's the case, and I get some further confirmation of that, we might be able to maybe deal with this matter—

Mr Christopherson: Keep it on track.

Mr Sampson: Yes.

Mr Christopherson: Otherwise I think we're going to run into a time problem. That's my concern, Chair.

Mr Sampson: Yes. I have sympathy for your position, Dave, because I want to make sure we get it right too. I think the issue around making sure we cover all repair shops needs to be done. There's some discussion as to whether the amendments I've suggested so far will do that. If they don't, we should find ways to do that. I'm betwixt and between here. We'll have a better sense, probably by the time we reconvene, whether that relief has been provided by the House, but of course we're subject to what the House has decided so far.

Mr Christopherson: To further complicate things, just so you know, I'm in the Chair this afternoon and won't be in committee; it will be my substitute. That could create a further—depending on how they feel about it.

The Vice-Chair: Thank you for your presentation.

PROFESSIONAL ASSOCIATION OF VEHICLE EVALUATORS

The Vice-Chair: We'll now call forward the next presenter, Mr Dean Renwick, president and CEO, Professional Association of Vehicle Evaluators, known as PAVE. Good morning, Mr Renwick. You have about 10 minutes for your presentation.

Mr Dean Renwick: Thank you for the opportunity to address this committee and present my reasons for supporting the proposed Collision Repair Standards Act, Bill 186.

I am Dean Renwick, president and CEO of the Professional Association of Vehicle Evaluators. Our organization was founded in 1998 with a mandate to operate as the official industry self-regulating organization representing the special interest vehicle appraisal industry in the province of Ontario.

The need for some form of regulation and control in our then-unregulated industry was made crystal clear when it was revealed that a private consumer had been defrauded of \$100,000 through a simplistic appraisal restoration scheme devised by an unscrupulous vehicle appraiser. It became clear to a number of concerned

ethical members of the vehicle evaluation industry that the over 300 private individuals operating as special interest appraisers in Ontario were not all conducting their businesses on a level playing field, much to the detriment of Ontario consumers. These inconsistent activities were enabled by a total lack of industry or government regulation.

A situation that parallels our own experience has been recognized within Ontario's unregulated multi-billion-dollar collision repair industry. A realization of problems within the collision repair industry has led to the formation of the Automobile Repair Regulatory Council by concerned members of that industry. ARRC's mandate, as I understand it, is to ensure a uniform quality of service to Ontario consumers.

Quality is sometimes difficult to measure or describe. How do we measure or describe the quality of service provided by independent vehicle damage evaluators and collision repair facilities? We cannot judge them in relation to a particular code of excellence or attainment, as they operate without regulation. We cannot rely on consumer attitudes respecting quality of service, as the public is not necessarily in a position to know whether the services provided to them by independent vehicle damage evaluators and collision repair facilities are adequate, safe or competent.

I believe it's important to understand and recognize that consumers of the services of independent vehicle damage evaluators and collision repair facilities include not only the general public but also members of the general insurance industry. It is fair to conclude, in my opinion, that the general insurance industry would be the largest single benefactor of a regulatory framework within the collision repair industry.

As was the case with my own independent vehicle evaluation industry, the collision repair industry will be able to provide consumers with some meaningful form of protection against incompetent and fraudulent practices through the proposed legislation, including certification and decertification programs for the motor vehicle collision and repair industry. I believe the regulatory system ultimately chosen to manage the collision repair industry will evolve over time.

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The costs of service must be balanced against the interest of quality in service. However, I am satisfied that some form of governmental regulation is necessary to protect the public against the possibility of incompetent, unsafe and/or fraudulent practices. Effective government regulation guarantees that whenever abuse does occur, aggrieved consumers, including the general insurance industry itself, will have access to some remedy without having to rely solely on the court system.

Effective government regulation should seek to remove the need for insurance industry consumers to maintain such close scrutiny over the collision repair industry that it could sometimes be construed as interference. It is my suggestion to you that regulatory structures of potential value in ordering and rationalizing

the collision repair industry could include registration, licensure and certification.

It is understood that no regulatory system is a panacea guaranteeing consumers absolute protection from abuse or harm, but society is never wholly protected from incompetent or unprofessional service, as dramatically demonstrated by the experiences of the legal profession.

Clearly, over time a great number of independent collision repair operators have provided their services competently, even without any form of regulation. Nevertheless, it's my opinion that some form of regulation is now required and should be enacted into law through passage of Bill 186 as an important method of controlling and documenting the present and future activities of members of the independent collision repair industry for the benefit of all Ontario consumers.

It's my expectation that Bill 186 will attach the highest priority to consumer protection against incompetent, unsafe, unscrupulous or fraudulent practices within the Ontario collision industry. I suggest the regulatory system proposed by Bill 186 be structured so as to provide fair but firm legislative sanctions against abuses of the system. Consumer protection and disciplinary processes can have marketplace costs associated with them. Like other aspects of the regulatory proposal, the disciplinary component must reflect the current reality of the market. In extreme cases, such as ongoing dishonest or fraudulent activity, the controlling body should have the authority to issue a cease and desist order or even immediate suspension of the guilty party's registration in situations where the public is endangered.

Fraud is a matter dealt with under the Criminal Code and it's recognized that the criminal process should provide an adequate control mechanism, especially if the regulator is placed under an obligation to lay information when such facts come to his or her attention. The creation of the various elements of regulation over provision of services by independent members of the collision repair industry should provide a substantial measure of protection for all Ontario consumers.

The regulator must take every opportunity to ensure the rules and policies of the Collision Repair Standards Act are communicated clearly to the independent collision repair operators, the public and the general insurance industry. Further, some resources must be committed to the policing and enforcement process if there is to be an effective element of control over the activities of the collision repair industry members.

It's my final suggestion that the entire scheme of regulation, as proposed in Bill 186, should receive a thorough review and evaluation after a three- to five-year period in order to assess the operation of the regulatory model as a whole. I believe the initiatives of the Automobile Repair Regulatory Council and others, as proposed in the Collision Repair Standards Act, Bill 186, are commendable and will provide strong protection enhancements for all Ontario consumers, including the general insurance industry. I thank you for allowing me to make this submission in support of the Collision Repair Standards Act.

The Vice-Chair: Thank you very much, Mr Renwick. We have about two minutes left. I would look to the government side. Are there any questions?

Mr Sampson: I'm intrigued by the suggestion of a three-year review process. How would you see that happening—just like a sunset clause?

Mr Renwick: Yes, to get all of the industry partners together to see the areas where the program has worked most effectively and where the biggest problems have arisen and how to correct that.

Mr Sampson: This is over and above charging the advisory committee or whatever it's called with the responsibility of daily and monthly managing the system. Is this a legislative review, do you think?

Mr Renwick: I haven't gone that far in my thinking process.

Mr Sampson: It's just that somehow three years from now somebody should sit back and say, "Did we do what we thought we were going to do, and what's the measure of success?"

Mr Renwick: Yes, and what do we need to fine-tune it to make it do what we wanted it to do if there are some areas where it's not operating the way it was envisioned.

Mr Sampson: I'll pass my time to the other side.

The Chair: That's the time that we have. Thank you, sir, for your presentation. We appreciate you coming.

RYDING AUTO BODY LTD

The Chair: Our next presenter is Ryding Auto Body.

Mr Christopherson: On a point of privilege, Mr Chair: While the presenters are taking their seats, I just wanted, through you, to ask Hansard when the first draft of the Hansard would be available from this morning.

Hansard Reporter (Ms Margaret Grobicka): I'm afraid I can't tell you. You'll have to call the office.

Mr Christopherson: Could I ask the clerk to check with Hansard to see when that availability would be? Thank you.

The Chair: We'll do so.

Thank you. Please state your name. You have 10 minutes.

Mr Mark DeLorenzo: My name is Mark DeLorenzo. I would like to thank the finance committee and the Chair for allowing me to make my presentation. Before I go any further into my presentation, I would like to tell the members that I have with me Gayle Christie, former mayor of York, who supports my decision.

Hon Mr Klees: That settles it.

Mr DeLorenzo: We support Bill 186 but I feel that there should be an amendment to the Insurance Act to basically correct it.

We've been in business since 1965 and we have always conducted business in a fair, ethical manner. Ryding is a CAA-accredited shop, a Ministry of Transportation structural centre, holds an environmental certificate of approval and has an I-CAR gold endorsement. Ryding also provides an accreditation course for registered insurance brokers of Ontario through con-

tinuous education in understanding the collision repair industry.

I would like to take this opportunity to express my opinion and make this committee aware of some issues that are very important and have not been addressed. Nothing has been said about the effect of back-alley shops and their unregulated practices on the industry. Not much has been said about the effect that preferred shops and direct repair programs have on this industry and the consumer.

Purpose number three for the Collision Repair Standards Act is "to provide a fair marketplace for the collision repair industry and those who have an interest in it." This purpose is not going to be achieved as long as there are preferred and direct repair programs. These programs really do harm the industry and the consumer in many ways. At Ryding we have been losing an estimated \$300,000 to \$500,000 in revenue per year from our own customer job lists because many of our long-time customers have been directed to the insurance companies' preferred shops. Our customers have been threatened that if they do not take their business to the shop of the insurance companies' choice, the insurance companies will not guarantee their work. We feel that if the current conditions exist, Ryding Auto Body will cease to exist, and that is one of the reasons why I am here.

I would like to stress that preferred shop programs completely eliminate competition between preferred shops and ones that are not preferred. Preferred shops have a steady flow of work from insurance companies. That flow is unbreakable. There is no real competition, and we know that's no good for any market.

1120

We at Ryding have tried for many years to enter the direct repair program for many insurance companies. There is no reason why we should not be part of this program. We comply with every rule and regulation, we are properly equipped, we employ high-quality technicians and we have had an excellent reputation within the community since 1965. A series of refusals from the insurance companies was not based on quality of workmanship, service, equipment or staff qualifications, because nobody from the insurance companies ever came to inspect our shop and see what we have to offer. There is no access to the direct repair program for a large number of shops even if they are providing the best services and workmanship.

The insurance companies presently have too much power in the collision repair industry: they basically have the power to accredit or disaccredit shops with their own criteria; they indirectly have control of labour rates; they direct the length of repair time; and they are able to put unsafe vehicles back on the road. For example, a car that is slightly jarred on the front of the hood and does not close properly is back on the road, sent to a DRP shop, in process. The customer is shaken up from the first accident. The hood is slightly opened, it jars and wipes you out. You're completely blinded to the road.

We feel that in order for the Collision Repair Standards Act to achieve purpose number three, "to provide a

fair marketplace for the collision repair industry," there should be an amendment to the Insurance Act that would prohibit any type of internal preferred list or direct repair program. Only one list should be used across the province and that is the list of all accredited shops. If this is not implemented, the accreditation will not have any effect on levelling the playing field or creating a fair marketplace for the collision repair industry.

Create a directory or a list of accredited shops that would be uniform across the province and made available to the consumer through the reporting centres, insurance companies and the Internet. In this way, the consumer chooses the accredited shop by the most convenient location or other category that would meet his or her needs. In this system it would really be up to each shop to reach out to the community and the consumer, to impress them with high-quality workmanship and service. It would really bring the consumer and collision industry back together.

CISCO does not deal at all with the problem of the DRP list. CISCO is insurance bureau funded; it should not be. It makes this organization biased toward insurance companies and direct repair programs. CISCO should be neutral and represent the interests of all accredited shops in the industry and the interests of the consumer, not the insurance company, not the direct repair programs.

The advisory board should consist of experts in the collision repair industry who know about the collision repair industry. There should be no place for representation of the insurance industry on our advisory board, because they clearly do not have expertise in the collision repair industry. I believe my position is shared by a large majority of shops in this province, because a large majority is not preferred by insurance companies. I believe a majority of them will agree that if we want to create a fair marketplace for all of the collision repair industry, there should be an addition to the Insurance Act that would regulate the way the work is distributed by the insurance company. There should be an addition to the Insurance Act that prohibits the use of an internal preferred shop list. Only one list should be used province-wide and that is the list that all accredited shops belong to.

I would also like to say that I belong to CISCO and I also belong to the independent board movement. I strongly believe they both have some strong points. The whole idea is to move forward. Thank you for listening.

The Chair: We have time for one question and that would be from the Liberal caucus.

Mr Kwinter: I really appreciate your comments. The proposed act provides, under 263.1(1), "An insured who is entitled to payment from an insurer for the repair of damage to an automobile as a result of a collision is entitled, subject to this section, to have the repair performed at any certified collision repair shop within the meaning of the Collision Repair Standards Act, 2002 that will perform the repair at a price that is competitive with that charged by other certified collision repair shops in the immediate geographic area."

Do you think an idea that we have in OHIP—when you go to a dentist, a dentist has a schedule that says, “Here’s what we pay for this particular procedure.” That’s what the insurance company will pay, and many dentists conform to it. If you want something over and above that, you have to pay for it yourself. Could not this bill incorporate a system whereby the industry itself, in conjunction with and in consultation with the insurance industry, could come up with a schedule saying, “This is what these repairs cost”? Anything over and above that, the insured has to pay himself. That way you eliminate this need for preferred shops. Everybody who is certified and is prepared to work under that agreed schedule would have access in a marketplace to whoever wants to come there. Do you have any thoughts on that?

Mr DeLorenzo: I think that would be very difficult to achieve. First of all, the tradespeople vary in wages from shop to shop. Some shops probably pay the journeymen a lot less than other shops. To achieve that, you would probably have to create uniformity within the trade association. That’s basically the one way of achieving it.

The Chair: Thank you for your presentation. We appreciate the time you spent.

Our next presenter is East York Auto Collision. While we’re waiting for them to get in place, Mr Christopherson, in response to your request about Hansard, we understand that because the House takes priority, and also today we have private members’ business going on this morning, the earliest would be tomorrow afternoon for the committee Hansard to be available.

Mr Christopherson: I’m advised it might even be the first of the week, depending on the workload. I just want to say—Rob, you might want to hear this—I really would be interested in the Hansard from this morning, particularly a couple of the presentations that were made, to cover all the points, unless we’ve got a summary from Mr Johnston, which would be fine. There were a couple of really important issues that I thought came out that need to be pursued.

I have to leave. Mr Bisson is going to substitute for me. I’ve got another appointment in my office. I’m hoping that what we talked about earlier is the way we’re going to go.

Mr Sampson: I wonder if we can deal with that now by proposing to amend the subcommittee report. Chair, I don’t know if you were in the room when we had this discussion. I know we’ve got another fellow before us.

The Chair: What I would need is unanimous consent to discuss this now, and beg the indulgence of the presenter, who is prepared.

Mr Sampson: We can deal with that perhaps after the session, or do you want to deal with it now? What do you want to do?

Mr Christopherson: Which one?

Mr Sampson: Dealing with our proposal to move into clause-by-clause at 3 o’clock as opposed to 12 o’clock. I think currently the subcommittee agreement is that at 12 o’clock we’ll consider a motion to consider clause-by-clause.

The Chair: Do we have unanimous consent to discuss this now?

Mr Christopherson: That would be the first step, yes.

Mr Sampson: I would simply propose that we amend—

The Chair: Hang on. Mr Marinos, we just beg you to hold on for a moment. You’ll get your full 10 minutes. We’ll get this little piece of business ironed out.

Mr Sampson: Chair, it’s very simple. I propose we amend our subcommittee report, which we’ve already endorsed and accepted unanimously, to read that when we convene again at 3 o’clock or 4 o’clock or whatever the reconvening time is, we then hear the motion to unanimously go to clause by clause, as opposed to the committee report, which says we’re going to hear that at noon.

1130

The Chair: OK. Mr Sampson has moved an amendment to the subcommittee report. Discussion on that?

Mr Crozier: The subcommittee minutes, if I read them quickly, just say that we’re going to have public hearings from 9:30 to noon. Then it says we’re going to reconvene at 4 to go to 6. We can’t reconvene before orders of the day, but if we were to reconvene right after orders of the day—

Mr Sampson: And at that time consider what we’re going to do subsequently, as opposed to the way I think the minutes currently read, which is that we’re doing that at noon. But anyway—

Mr Crozier: No, it doesn’t say anything about noon. It just says written submissions by noon—

Mr Sampson: Well, let’s make it a little simpler.

Mr Crozier: Wait a minute. Hang on—

Mr Sampson: Let’s just make it simple.

Mr Crozier: No, it doesn’t say that.

The Chair: If I may—

Mr Sampson: Is it the consent of the committee to continue hearing deputations until they’re finished, and then when we reconvene at 4 to consider what our business should be subsequent to that and, if it’s clause-by-clause, it requires unanimous consent? That’s what I’m proposing.

The Chair: If I may just clarify something. If you look at item two on the subcommittee, it states that following the public hearings and with unanimous consent of the members, we shall proceed with clause-by-clause. If we don’t have unanimous consent to reconvening at 4 o’clock, we aren’t going anywhere, folks.

Mr Sampson: My point is, let’s hear that unanimous consent at 4 o’clock, as opposed to at the end of the public hearings, which is when I thought we were going to do it.

The Chair: No. You have to do it at 4 o’clock. You can’t do it at this point.

Mr Sampson: Then that’s exactly what I think we want to do.

Mr Christopherson: We can recommend our own corrections by unanimous consent.

The Chair: So what are you recommending here, that the unanimous consent take place at 12?

Interjection: No, 4.

Mr Christopherson: I know where you are going. If I can short-circuit, we may be adding a step because, quite frankly, if the thing that's being mused about from the House comes forward, we won't be dealing with it this afternoon and if we don't find more time, somehow, given the issues that have been raised, we're not going to go through with it this afternoon. So really, in any eventuality, we're not going to be doing clause-by-clause this afternoon and therefore when we have the consideration of unanimous request, it becomes moot because we're not going to do clause-by-clause this afternoon in either situation.

Mr Sampson: Except that at 4 o'clock it would be nice for the committee to agree what it's going to do with this item.

Mr Christopherson: Fair enough. The clause-by-clause, as things stand right now, I think, by agreement of all three parties, is not going to happen today.

The Chair: Can you hold on? Mr Kwinter has a comment.

Mr Kwinter: We have an additional problem. We have a situation where our agenda calls for a list of presenters, all of whom have come here. It is now 25 to 12; we will have a vote in the House probably some time around 5 to 12. We will never get these people in, all of them. We're going to have to address that before we address anything else.

The Chair: So the question is, then, we have a motion for an amendment to the subcommittee business. Do we have concurrence on that or not?

Mr Christopherson: To do which?

The Chair: The amendment to the subcommittee report. Do we have concurrence on that or not?

Mr Christopherson: Exactly what, though?

Mr Sampson: Let me get to Mr Kwinter's point. Maybe some of these people who are on the list and may get bumped given the time constraints could be before us at 4? And if they could, I'm prepared to hear them at 4, and then we'll decide as a committee what to do with this item after that.

The Chair: Well, we have 40 minutes right now of booked hearings for these people and it wouldn't be fair, I don't think. We don't have 40 minutes; we have 30.

Interjection: We have about 20.

The Chair: Well, the vote may not take place until 12 o'clock but, yes, you're right.

Interjection: This is what you get paid the big bucks for.

The Chair: Well, in this case we're just going to revert back to our delegation, and I think we'll resolve this later this afternoon.

EAST YORK AUTO COLLISION

The Chair: Please identify your name, Mr Marinos, for the record and proceed. I apologize.

Mr Aris Marinos: My name is Aris Marinos, and I just want to make sure before I start: are you guys all together now? Because you just wasted another 20 minutes.

The Chair: It's the unfortunate part of politics.

Mr Marinos: That's what he said: that's why you guys get the big bucks.

Just to clarify, CISCO, CIAG and John Norris don't represent me or any of the independent shops in the city of Toronto or the GTA. As a matter of fact, the independent shops in the city of Toronto, which are over 1,000 strong, have absolutely no representation in CISCO whatsoever. I'm here to represent myself and some of them.

I'm all in favour of this act as long as there are provisions to regulate insurance companies, accident reporting centres and the insurance appraisers, being staff ones or independents. This would make a level playing field for everyone concerned. There should be provisions in the act that let the consumer know that he or she has the final choice of where they can have their vehicle repaired.

This act, in the eyes of most of the insurance companies, is a crock. This has been publicly stated by the heads of Dominion of Canada General Insurance and Allstate Insurance. They have also stated that they have no intention of overseeing which auto body shops are accredited and will not be told with whom they can do business.

These are some of the reasons why I think there should be provisions in the act to regulate the insurance companies. They should not be allowed on the advisory committee; they already have too much clout in the industry. There should also be provisions on the unethical methods of the insurance direct repair programs. For example, all conversations should be tape-recorded and made available upon request to the advisory committee. This will ensure that the insurance companies are made accountable for their actions.

In the last three years, three of my customers have been told outright by the insurance companies that they would not pay to have their vehicle fixed at my auto body shop. My auto body shop meets and exceeds all the requirements in this act, yet my customers are still bullied by the scare tactics of the insurance companies. Now, not all insurance companies employ these scare tactics. However, the majority do. I believe that State Farm Insurance has a fair and equitable DRP program. The reason I say that is they've been surveying shops for the last 15 years, even before all of this stuff came into effect.

The accident reporting centres should be regulated provincially, not by the city of Toronto or the jurisdiction that they fall in. The city of Toronto prohibits the soliciting of customers by insurance companies in the accident reporting centres. Yet CGU Insurance has an office in the reporting centre and directs most of their insured vehicles to the local CARSTAR body shop in Scarborough or the GTA area, who they have a contract

with. This is virtual proof that the insurance companies are violating city bylaws and have no fear of retribution by the law. The city of Toronto can't protect me or the consumer from the horror shows that happen in the reporting centres. This is why I think the reporting centres should be abolished or, at the very least, run by the province and not privately owned, as they are now.

Appraisers in general should hold some kind of licence or certificate and should be accountable for their actions, such as inferior parts ordered on the cars, like aftermarkets. This act, without provisions for the above-noted matters, will only destroy the smaller auto body outfits. It will strengthen the larger auto body shops and shops that are already on some kind of DRP program. All this leads to the larger shops monopolizing the industry and keeping the labour rates low.

I tend to agree with a large portion of this act. However, there should be no insurance personnel on the advisory committee, and the inspectors on the committee should not play the role of Revenue Canada.

All in all, for this act to be fair and equitable for everybody, all these matters should be addressed.

1140

The Chair: Thank you, Mr Marinos. We have a couple of minutes, and the NDP are supposed to begin.

Interjection.

The Chair: You defer to the government? Mr Sampson?

Mr Sampson: I take your point on representation on the advisory panel, or whatever it's called. I'm getting the sense that nobody wants an insurance company in their meeting. That could probably be accommodated by an amendment that would deal with that, although you want to make sure, I assume, that people who run businesses are fairly represented and those who are consuming those services, the customers, are fairly represented—some sort of balance, in a sense, would be acceptable to you.

Mr Marinos: Yes.

Mr Sampson: Under the preferred shop program, how should one accommodate insurance companies being able to not direct business but able to say, "Well, that company provides services over and above the standards, so you might take a look at them"? I understand your point: consumers should have the ultimate choice, and if you level the playing field, that should be an ultimate choice for those who are meeting base standards. But if auto body shops want to offer services over and above those standards, should they not be allowed to compete on that basis?

Mr Marinos: Now you're misinterpreting me. I didn't say they should not be allowed. I don't think you're going to ever stop the DRP program.

Mr Sampson: Right.

Mr Marinos: They're the ones dishing out the money, so they believe they should have some control of where it goes. As a matter of fact, all insurance companies are run like a business, are they not? The bottom line is, they're there to make money, right? So the fact is, some of the

scare tactics to get these people into the direct repair program—you must have provisions for what they can say and what they're not allowed to say. There's outright no way they can say that they will not pay to fix this vehicle. If this shop meets all the requirements, how can they say that?

Mr Sampson: Yes, I think I agree with you, and the intent of the bill was to try to reconfirm that it's the consumer's choice. But the consumer doesn't know whether you or the guy next to you is certified.

Mr Marinos: I agree. Maybe there should be some kind of plaque or something that they're awarded, OK? I agree with that, but there also should be provisions for what they're allowed to say and what they're not allowed to say. That's my whole point. I don't think you're ever going to stop the DRP program.

Mr Sampson: Because it's basically competition.

Mr Marinos: Competition's good for everybody, but it also keeps the rates low, right? They've even called it a crock, so far—this act.

Mr Sampson: Well, they've called a lot of things we've done a crock.

The Chair: A quick question from Mr Beaubien, and then we'll move on.

Mr Beaubien: Basically, what you're suggesting is that the final say as to where the car is repaired should be left to the insured.

Mr Marinos: To the consumer.

Mr Beaubien: I agree with you. I totally agree with you, but how would you stress that and make that clear?

Mr Marinos: The insurance companies should stress that too. It's not just the body shop that—

Mr Beaubien: But the insurance company will not stress that.

Mr Marinos: No. I haven't heard of one yet. If they stressed it, why are all the cars going to the DRP programs?

Mr Beaubien: But how do we make sure that the clients—

Mr Marinos: That's why I say you should have all conversations with them recorded. If there's a discrepancy—

Mr Beaubien: But then you get into other privacy issues.

Mr Marinos: Yes, but then you're trying to regulate a small portion of the industry and leaving the larger section alone. How does that work? How is that fair? Does this sound fair to you, when you're hitting all the small shops, or all the shops, and then you leave the large section, the ones with all the money?

Mr Beaubien: So if we had an accredited shop posted with a green sign, "I'm accredited," and if all the shops are supposed to be accredited, then forget about the preferred shops, forget about everything, and then it's buyer beware. That shop is accredited—

Mr Marinos: It's meeting all the requirements, right?

The Chair: Thank you, Mr Beaubien. Thank you, Mr Marinos. We appreciate your input.

KEN TIMSON AUTO BODY

The Chair: Our next group is Ken Timson Auto Body. Mr Timson, you have 10 minutes.

Interjection.

The Chair: Oh, I'm sorry. Plaza Portland Auto Body has cancelled. They were scheduled to be the next presenter; they've withdrawn. I should have informed you of that, Mr Kwinter. I apologize.

Mr Timson, go ahead.

Mr Ken Timson: Mr Chairman and members, thank you for the opportunity to speak in regard to my enthusiasm for the Collision Repair Standards Act. I am certainly in favour of the act, as it has been presented.

My name is Ken Timson. I'm the owner and operator of a small collision repair facility in the town of Caledonia, which is about 13 miles south of Hamilton. I'm a small shop in a small town, and every day I see activity that occurs around me that is unfair, unsafe and abuses customers and motorists.

I meet environmental and trades qualification standards mandated by the province of Ontario in my shop. I am properly licensed by the county of Haldimand. I pay my taxes that are due to the provincial and federal governments. I pay my premiums to the Workplace Safety and Insurance Board in order to ensure my workers are safely protected.

In my town and around it are other small shops and often backyard facilities that pour solvents and paints into the ground or sewers and do not have the proper equipment or trained staff to do a safe repair job. This is unfair to business, to government and to the consumers who expect their cars to be repaired safely.

I like small shops. I'm one of them. But just because I'm a small shop does not mean that I can flout the laws and regulations of this province. All shops need to meet the same minimum requirements for the repairs they are performing and are getting paid for. In my town I see insurance companies eager to reward non-licensed, polluting shops with improper equipment and with no trained staff, only because it's cheaper for them. Well, of course, if I didn't have to pay WSIB or taxes or for proper waste management, then I would lower my billing too.

It is important that insurers recognize the need to deal with shops that meet legal compliance standards. I would hope that they would want to ensure a safe repair, not just a cheap job. Is it fair to the consumer to be sent to a repair shop that does not honour the basic operating standards regulated by government? Is it fair to the environment to be laden with waste products that are polluting the ground and waterways?

Small shops that meet the laws of this province will not have a problem with this bill. Small shops that don't want to pay taxes, properly dispose of wastes and don't have the right equipment for the repairs will have a problem if they don't want to follow the laws of Ontario.

Please don't be misled by claims of small shops suffering because of this bill. These comments are just a

smokescreen to tell you they don't want to comply with current laws and do not have the proper equipment and trained staff to do the work that they are charging for now.

I urge you to pass this bill in its entirety and then later allow regulations to determine the actual shops' standards. I have attended some of the workshops held by HARA, my trade association, and CISCO across Ontario. Their approach and recommendations are reasonable and fair.

I thank you for your attention.

The Chair: Thank you, sir, and we have time for one question from the NDP caucus. Mr Bisson?

Mr Gilles Bisson (Timmins-James Bay): I'm just subbing in for my colleague.

The Chair: OK, thank you. Are there any other questions? The government caucus, in the rotation?

Interjection.

The Chair: Sorry, it should go to the Liberals. I apologize. You're right. Mr Kwinter?

Mr Kwinter: I want to thank you for your presentation. It seems to me that you're making the same point that the Ontario and Toronto auto dealer associations made: that insurance companies are diverting their customers to shops that are unregulated, they're not paying their taxes, they're doing all sorts of things.

We heard from the insurance industry today that they support accreditation. It would seem again that the legislation, as it's proposed, will make it virtually illegal for a shop that is not accredited to operate.

I think the big issue that seems to be arising from everyone dealing with insurance companies is these preferred shops. That's the issue that we really have to address, because if you're accredited and the insurance companies say they have no problem with that, then we have to talk about: why is this not being a universal sort of acceptance that as long as the shop is accredited and the customer is happy, they can do it? Do you have any comments on that?

Mr Timson: Well, in my area, it's close to the First Nations. They don't have to pay taxes. So this is where some of my problems are; there are very few others that are involved with that. That's basically what my comments are.

The Chair: Thank you, Mr Kwinter. Thank you, Mr Timson; we appreciate it.

I would like to ask the two remaining presenters if they would be willing to come back later, but I do need a motion that the committee continue the hearings this afternoon. Is that all right, for Mr Keen and Mr Cooke?

Interjection.

The Chair: Thank you very much. Then I need a motion for the delegation to continue.

Do you have a point of order, Mr Kwinter?

Mr Kwinter: No, I want to move the motion.

The Chair: Thank you. Mr Kwinter has moved a motion to continue until 4 o'clock and hear the remaining two delegations. Subsequent to that, the committee will decide what its business will be. In favour? Carried.

This committee will now adjourn until 4 pm this afternoon, or as soon as orders of the day permit us to afterwards.

The committee recessed from 1152 to 1605.

THE DOMINION OF CANADA GENERAL INSURANCE CO

The Chair: Thank you, ladies and gentlemen, for coming back to hear the last two delegations for this committee. Could I call the Dominion of Canada General Insurance Co to proceed with their presentation. Please give your name for the record. You know you have 10 minutes, Mr Cooke.

Mr George Cooke: My name is George Cooke, and I'm here on behalf of the Dominion of Canada General Insurance Co. I'm accompanied today by Vivian Bercovici, who is our vice-president of legal and public affairs; Ken Boulton; and Jerry Dalla Corte, our vice-president of claims. We do have some comments to make on the bill.

First of all, in the package of material that has been provided to the clerk of the committee, you'll find brief *curricula vitae*, so that you can see who we are. You will also find in that package a copy of the letter I sent to Mr Sampson around the time he assumed the sponsorship of this bill from Mr Klees, outlining some of the concerns I had about that particular document.

Just to summarize briefly, I think it's important that the committee understand that Dominion supports the notion of accreditation of collision repair facilities. As the letter indicates, we have absolutely no interest in having insurance industry representation on the accreditation board, nor do we think that would make any sense. It's very clearly our view that that body should be structured in such a way that would reflect the skill set from that industry and be representative of the consumers of the province and, to the extent that it's the wish of government, government officials.

We have also included in the package a series of proposed amendments or observations, going through the bill on a clause-by-clause basis, in an attempt to be helpful to the committee. You'll find there that we suggest the appropriate ministerial relationship would be through Finance as opposed to the one that was indicated in the original bill.

In the letter we sent to Mr Sampson, we go on at some length trying to establish two points relating to consumer choice. The first is that we agree the consumer should have the choice of dealing with any properly accredited facility. At the same time, we also want to protect our right, as a supplier of goods and services to our customers, to deal with vendors of our choice in terms of our preferred vendor programs. We've set out in the letter some of what we think are the very strong consumer benefits of our being allowed to behave that way. I understand that the bill, as contemplated, doesn't preclude us entering into these relationships, and we want to ensure that nothing happens through amendment that

would preclude us from having these relationships, which we believe are very clearly in the consumers' interest.

I think it's also fair to say that the way we read this bill, it does differentiate between the way consumers in an insurance circumstance and consumers on their own might deal with an accredited shop. What that effectively does is suggest that somehow or other accreditation is appropriate for insurance claims but not for other non-insurance matters. We don't think that makes any sense. The simple way to deal with that circumstance is to simply say that all such shops in the province must be accredited, regardless of who the customer might be. In doing that, we have also suggested an amendment that would not preclude us, as the current bill does, from actually entering into a cash settlement with our insured.

Those are, I think, some fairly serious concerns with the way in which the bill attempts to introduce the notion of accreditation. We should not confuse those concerns with opposition to accreditation. We are not opposed to a properly structured accreditation system.

We also have a few procedural concerns that we'd like to raise. We do this in an attempt to be helpful to the committee, but what I think effectively has happened in this bill is that this advisory board is really an administrative tribunal of some kind in disguise, and it's not clear to us that the bill in any way sets out the appropriate powers and process for that administrative tribunal to function. Perhaps the easiest way to address that would be to specifically incorporate the Statutory Powers Procedure Act by reference, noting of course that that may deal with the administrative operation of the accreditation entity; it does not confer proactive or investigative powers on the board. It would only enable it to respond to complaints.

1610

As a political observation on the way by, the particular board that is contemplated making recommendations to the minister that a license be revoked—which seems to be the only form of sanction it can entertain—puts quite an interesting political burden on the minister. Alternatively put, administrative boards have often been adopted by governments to provide some political buffer for ministers.

The bill does not contemplate a funding mechanism, from what I can understand, given the genesis of this bill as a private member's bill. I suggest to you that it might run into a funding issue if that particular matter is not dealt with in some way; presumably there would be some costs associated with things like hearings or reviews that it might engage in.

Similarly, there is no staffing provision or regulation-making power incorporated in the bill to enable changes to be made at a future time. In our proposed amendment to section 9 deals with some transitional provisions. The bill currently contemplates that everything would come into place at once. Of course, if you don't have the accreditation system in place and you put the bill in place, we wouldn't be able to conduct business in the province because there wouldn't be any accredited shops for us to do business with.

We're suggesting that it might make some sense that the draft bill, instead of coming into force on Royal Assent, could perhaps be changed to come into force, say, by proclamation of the Lieutenant Governor or something of that nature. The idea here is that we need some time, once this thing is passed, setting up the opportunity for accreditation, to actually have the accreditation happen so that we and our customers have some entity out there to actually do business with during the transition period.

Those are our comments and observations, and we'd be very pleased to entertain any questions or matters of interest to the members of the committee.

The Chair: Thank you, Mr Cooke. We have about one minute. As part of our rotation, I think we are due to go to the NDP.

You pass? Then we'll go to the government. Mr Beaubien.

Mr Beaubien: Thank you very much. In your presentation you mentioned that you would like the preferred vendor programs continued. I think you were in the audience this morning when there were, I think, a couple of presentations that were not very strongly in favour of this, and that once a shop is accredited and is designated as being accredited, that this should do it.

Why is it that as the insurance industry you are still sticking to the fact that you want—because I do believe the consumer should be the driving force. They pay you the premium in order to be insured, and you underwrite this based on the underwriting principles of the company you have. Why should the company be in the driver's seat to tell the insured where to go as opposed to the client deciding where he or she wants to go?

Mr Cooke: Three points: first of all, we very clearly recognize that ultimately the consumer should have the choice as to which shop they go to, as long as the shop is a properly accredited shop. At the same time, we would like to retain the right to enter into a relationship with those shops where we believe we can confer a superior benefit on our customer.

Included in the package of material that we provided to the committee, because I thought this question might come up, is an actual blank copy of our contractual relationship and the requirements we place on a preferred vendor, so that people can see there's nothing ill-conceived in any of the requirements that we would place. In fact, I think you'll see that a lot of good consumer consideration has gone into those documents. You'll also see the evaluation forms we use to evaluate these facilities, both prior and subsequent to their appointment, as we continue to monitor.

In my letter to Mr Sampson, I outlined very clearly, first of all, the cost associated with provision through the preferred shops that we entertain. The consumer, of course, has the clear choice not to go to a preferred shop. When they go to our preferred shop, not only do they get a guarantee from us, but the satisfaction we measure on their part is materially higher than those who go to other shops, and the cost savings to us, which we in turn pass

strictly back to the customer through rates, is in the order of 30%. Those are very real consumer benefits that I don't think it would be wise for this committee to take away.

The Chair: Thank you, sir. We appreciate not only your presentation but the patience that you've extended to come back this afternoon.

Mr Cooke: I didn't want to miss the opportunity.

TORONTO INDEPENDENT AUTO REPAIRERS ASSOCIATION

The Chair: Our next presenter is the Toronto Independent Auto Repairers Association. I believe Mr Keen is here. Please state your name for the record. You know you have 10 minutes. If there is any time left over from your presentation, it will go to the Liberal caucus.

Mr John Keen: My name is John Keen, and I'm the president of the Toronto Independent Auto Repairers Association, as well as a partner in Downtown Fine Cars, which is the largest Porsche-Audi-Volkswagen dealership in Canada. I'm also a CISCO director, and I must say that CISCO has not worked well for the shops in the Toronto area. CISCO, in fact, has become an insurance lobby group.

The collision industry has become the ghetto of the car business. Not many folks will be getting into this industry in the future. There will be a crisis, if you will, repairing cars. The insurance control over the shops and the insurance interference with consumers' rights has completely bastardized this industry and brought us to where we are today.

I support the bill, and I hope the following will be addressed in the bill: freedom of choice for consumers; a mandatory structural safety certificate with every vehicle that's been in an accident and has had unibody damage; and appraiser licensing. It's interesting to note today that there are no appraisers here to speak to you folks, but many appraisers have spoken to me about it and they support being licensed. All these issues relate to consumer protection and safety.

It's worth noting at this time that less than 1% of all DRP shops, which I refer to as the deceptive repair program, have the capacity and the necessary equipment to provide you with a structural report today, but 100% of those shops pay commissions to the insurance industry and the tow truck drivers. Thank you.

The Chair: Thank you, Mr Keen. That was brief. We'll go to the Liberal caucus.

Mr Kwinter: How much time do we have?

The Chair: We've got about six minutes, so how about you take—

Interjection: Use it all up, Monte.

The Chair: Go ahead. If the government members have one, they'll let me know and we'll give them a moment.

Mr Kwinter: Thanks, John. I appreciate your comments. There was a question I wanted to ask George

Cooke and I didn't have a chance to, but you are the next best one, only because you're with Downtown Fine Cars.

One of the concerns I have, and I'd like to get your reaction to it, is that if someone is driving a so-called fine car, they are paying a price with the insurance company, because they're driving a so-called luxury car. It has nothing to do with their driving; it has to do with the value of that automobile and the value of the repairs. I know of a situation where someone wanted to repair and replace a windshield that was not broken—it was just pitted with stones and things of that kind—and the insurance company said, "You can't take it to the dealer or to a fine car place, because we won't pay for it. You can take it, but we won't pay for it. We will only pay the rate that we allot for a windshield," which is for any car, virtually. So you then have an insured driver who is paying a premium because they're driving this fine car, but when they want to get it repaired with a piece of equipment that would maintain its value as a fine car, the insurance company says, "You're on your own." Can I have your response to that?

1620

Mr Keen: It's a very good question. The fact of the matter is that the insurance appraiser dictates to the repairer how the vehicle will be repaired and what parts they will use to repair it. So in fact in the scenario you've suggested, even though somebody who has bought a Porsche for \$150,000 has paid that higher premium, when it comes time for the insurance company to redeem his loss, they have this unlicensed appraiser, who's accountable to nobody, dictating the use of an after-market part that may compromise the safety of the vehicle. It's a very serious consumer safety issue.

Mr Kwinter: It's also a very serious commercial issue. What will happen is that you could be driving a Porsche—and every windshield that comes with these fine cars has embedded in it the fact that that is the manufacturer of the windshield for that car—and if you ever go to sell it, a buyer may come along and see that it's not that windshield and suspect that maybe this car was in a collision, when it may not have been. It may have had a stone chip; it may have had something broken or whatever it was. That is a serious concern, because it actually depreciates the value. We heard horror stories about dealers making repairs on a car that didn't impact at all on its safety or driveability, and then, when the customer wanted to trade it in, his price was downgraded because they had repaired the car.

Mr Keen: It's an excellent point. Two things have happened with our Porsche clients: it has depreciated the value of their car and it has voided their manufacturer's warranty. In many of those cases, unsuspecting, they've gone along with this insurance marketing scheme by the adjuster and have gone to these deceptive repair shops. They haven't had it disclosed to them that in fact a counterfeit part is going to be put in, but that's exactly what happens to them.

Mr Sampson: Let's talk about this regulating of the appraisers thing. I take your point. We've heard a number of times that perhaps that's the group of individuals who

will also have to be regulated somehow. But I don't know that you're suggesting that it be done by the same people who are regulating auto body repair shops, or are you suggesting that?

Mr Keen: Absolutely, right under the same umbrella.

Mr Sampson: I'm just wondering whether this is the same reason that the repair shops don't want the insurance industry involved in regulating their business, whether it would be appropriate to say to the appraisers, "Well, we're going to allow auto body shops to regulate your business." Is that a consistent statement?

Mr Keen: If it's the government's position that this is really about consumer protection—if you have somebody coming in who's going to dictate the price, how the vehicle will be repaired, what types of parts will be used, and that person is accountable to nobody, that person would have to be, at a bare minimum, somebody who has worked in the trade, who is licensed as a body man and as a mechanic, who has taken some sort of test and is qualified to assess what should or shouldn't be done to ensure that car is safe. It should be under that umbrella. That's great and it builds confidence. So if a consumer wants to make a complaint about a collision repair, that same consumer should be able to make a complaint to the same body about an appraiser.

Mr Sampson: I'm not disagreeing that there needs to be some mechanism on the appraiser side. I think that's a point we've heard a number of times. I'm just not too sure whether it should be in this act or whether we need to have—the glass folks are having the same issue. They're saying, "Please come and regulate our industry for us." How many groups do you throw into this before you get so many groups with vested interests that it becomes dysfunctional? I don't think we want to do that. But I don't disagree with you that—

Mr Keen: But how can you have an industry in the province today—and we've heard about how great these DRP shops are. All the people who are working in this industry, the technicians, are unlicensed. If you look at the mechanical side of it, everybody is licensed.

Mr Sampson: You're taking me the wrong way. I don't disagree. I agree with you that they should be licensed somehow, all right? I'm saying that. I think that's a valid point. We've heard it many times. The question is how you do that, and who does it?

Mr Keen: It's more than licensing. It's compliance. It's making sure that there's integrity.

Mr Sampson: Sure. Same with the repair shops.

Mr Keen: There's transparency, right? We happen to know that in fact it costs more to get a car repaired at a DRP shop than at an independent shop. We know there are a lot of shell games going on. The labour rate in the Toronto area for mechanical repairs is some \$90, but there's an artificially low rate of \$40 for collision repairs. How are we going to build the infrastructure and take care of the environment, license our people, attract people, make sure there's integrity built into this for the consumers?

Mr Sampson: Again, I'm not arguing with you that we need to regulate—

Mr Keen: And don't buy into, for a second, that the insurers respect the rights of the consumers to go to any shop they like. They have a script that they give to their adjusters to sell those clients into their preferred shops, and you must note that the warrantee they give the client is only good while that client is insured with that insurance company. So if your broker for whatever reason moves you over to another company, that warrantee is gone.

The Acting Chair (Mr Marcel Beaubien): With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

Mr Keen: Thank you.

The Acting Chair: Before we adjourn—the Chair is busy doing something else, but it's my understanding that

if the committee is willing to set up a date for a subcommittee report—

Mr Sampson: I think we've agreed that we would probably adjourn and do a subcommittee when Mr Christopherson is around. He is in the Chair right now.

The Acting Chair: So you want to arrange this amongst yourselves.

Mr Sampson: I think we're going to have to, since Mr Christopherson isn't here, and to be fair he should—

Mr Bisson: He's a committee member.

Mr Sampson: Yes.

The Acting Chair: With that, we'll adjourn the committee.

The committee adjourned at 1627.

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Troisième session, 37^e législature

Official Report of Debates (Hansard)

Thursday 21 November 2002

Journal des débats (Hansard)

Jeudi 21 novembre 2002

**Standing committee on
finance and economic affairs**

**Comité permanent des finances
et des affaires économiques**

Collision Repair
Standards Act, 2002

Loi de 2002
sur les normes de réparation
en cas de collision

Chair: Joseph Spina
Clerk: Katch Koch

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 21 November 2002

Jeudi 21 novembre 2002

The committee met at 1002 in room 2.

SUBCOMMITTEE REPORT

The Chair (Mr Joseph Spina): The meeting will come to order. I think we have a quorum here. The first item on our agenda is the adoption of the subcommittee report.

Mr Rob Sampson (Mississauga Centre): Mr Chair, your subcommittee met on Monday, November 18, 2002, to consider the method of proceeding on Bill 186, An Act to further highway safety and establish consumer protection through the regulation of the collision repair industry, and to make a complementary amendment to the Insurance Act and recommends as follows:

(1) That the committee proceed with clause-by-clause consideration of Bill 186 on Thursday, November 21, 2002, at 10 am.

(2) That the deadline for amendments be Wednesday, November 20, 2002, at 12 noon.

(3) That the clerk of the committee, in consultation with the Chair, be authorized prior to the adoption of the report of the subcommittee to commence making any preliminary arrangements to facilitate the committee's proceedings.

I move adoption of that report.

The Chair: Any comments? Shall the subcommittee report carry? Carried.

COLLISION REPAIR
STANDARDS ACT, 2002LOI DE 2002
SUR LES NORMES DE RÉPARATION
EN CAS DE COLLISION

Consideration of Bill 186, An Act to further highway safety and establish consumer protection through the regulation of the collision repair industry, and to make a complementary amendment to the Insurance Act / Projet de loi 186, Loi visant à améliorer la sécurité sur les voies publiques et à protéger les consommateurs en réglementant le secteur de la réparation en cas de collision et à apporter une modification complémentaire à la Loi sur les assurances.

The Chair: The second item on our agenda is the clause-by-clause consideration of Bill 186, An Act to further highway safety and establish consumer protection

through the regulation of the collision repair industry, and to make a complementary amendment to the Insurance Act. Are there any comments, questions or amendments to any sections of the bill, and if so, which section?

Mr Sampson: Section 1, Mr Chair: I believe it's amendment 1 in your package.

I move that section 1 of the bill be amended by striking out the definition of "collision repair shop" and substituting the following:

"'collision repair shop' means a place of business where collision repair is performed, and includes an entity that provides towing services, where the entity is owned or operated either in whole or in part by an entity that provides collision repair;" and there's a French version there that I won't even bore you with.

The Chair: Are there any comments on the amendment?

Mr Monte Kwinter (York Centre): I have some concerns about this particular amendment. My concern is that it provides that a towing service, where the entity is owned or operated either in whole or in part by an entity that provides collision repair—it doesn't include what we call these rogue tow truck operators, and nowhere else in the act are they addressed. It's a point I've raised before, that one of the major concerns I have is that the towing industry is an integral part of the chain of events that impact on someone who has had an accident, and limiting this act to only those tow truck operators owned in whole or in part by an entity that is a collision repair facility excludes a substantial number of tow truck operators that really do have an impact on what we're trying to do.

Mr Sampson: Thanks, Monte. That's a good point. I think the issue that you need to understand is that the dealings between the collision repair shop and those, as you call them, rogue tow truck operators could be dealt with under the regulations to determine the types of business relationships the collision repair shop can and cannot have in order to maintain its certification. Through that mechanism we can get at what I think you're driving at: some of the less than fair business practices some of the rogue tow truck operators are performing.

The intent of this amendment was to say that you couldn't get around being covered by the certification requirements for a collision repair by saying, "Well, I'm just a tow truck business." If there's some relationship

between the collision repair shop and the tow truck business, some business relationship in whole or in part, then you need to be considered covered by this act. If you are truly just operating a tow truck business, then you're in the realm of regulating the tow truck industry. But what you really want to do to protect the consumer is get at that business relationship that's a non-ownership relationship between a tow truck entity and a collision repair shop, and I think you can do that through tight regulation, as set out by this proposed act.

Mr Kwinter: With all due respect, it would seem to me that you could solve that without having to worry about the regulations just by saying, "means a place of business where collision repair is performed, and includes an entity that provides towing services"—period. You don't have to have a condition in there that it's "where the entity is owned or operated either in whole or in part by an entity that provides collision repair."

Mr Sampson: Yes, but the problem with that is that if you're just in the towing business, if that's all you're in, that amendment you're suggesting means you'd be covered by this act and governed by a board that consists of collision repair guys, consumers, as proposed, and government officials.

This isn't intended to directly regulate the tow truck industry. It never was intended to be that. It was intended to regulate the collision repair industry and their relationship with consumers. If they have a business connection with a tow truck business, like an ownership relationship, then that would be covered. But as a stand-alone tow truck business, I think it would be problematic for us to regulate that indirectly, if you will, through a collision repair act. That's the problem with your amendment. Somebody who is solely in the business of tow trucking, under your suggestion, would be covered by this act, and the rest of this act would have to contemplate that.

I know what you're trying to get at, Monte. I think you can do it by asking, what's the bad business practice between an independent tow truck guy and the collision repair guy? Let's get at that by regulating the good business performance of the collision repair guy, and that is contemplated by this act.

Mr Kwinter: I don't want to belabour the point, but I feel very strongly about this, because when we talked about this whole initiative, it was a consumer protection act. That was the rationale. It was to try to get some consumer protection and try to eliminate some of the abuses taking place in this industry, whether it be the insurance company, whether it be the tow truck operators or whether it be uncertified or unqualified repair services. I thought I had made the point, and I thought that we sort of had agreement, that you can't separate any of the components. Tow trucks are the first line of defence. That is the major problem, because when someone has an accident—sometimes they may be injured, sometimes they may be distraught, whatever happens—a tow truck shows up on the scene and says, "I'm taking your vehicle somewhere," and in most or some cases the driver says, "Whatever you have to do, you have to do." To say

you're going to get at it through regulation really goes against your argument, because you're saying this was never contemplated to deal with the tow truck operator.

1010

Mr Sampson: It was. The problem is that when they get to the collision repair shop, there's a kickback for the cost of that repair in bad business situations. You get at that by saying to the collision repair people, "You pay the tow truck guy for the towing service. Period. Full stop." It's not the bad business practice, if you will, by the independent tow truck guy. It's what the collision repair shop is doing to get that business. I would argue that the amendment you're suggesting is a bit complicated, because you're basically saying that the collision repair shop includes the towing business. It doesn't. A stand-alone towing business is not a collision repair business, logically or practically.

What you want to get at is a bad business practice between the collision guy and the towing guy, and you do that by clamping down on the bad business practice of the collision people, who are the ones paying the money. I think you do that by tough regulations within a collision repair act as to what good practices and bad practices are.

Mr Kwinter: If I could just make one more point, a tow truck operator has various things they can do. They can tow a vehicle to a dealership because, for some reason or other, the car isn't running and it has nothing to do with a collision repair shop. I agree with you on that point, that there's no reason we should be regulating how they operate with this act. But when a tow truck operator is taking a car to a collision repair shop, then they are part of this process.

Mr Sampson: And this act allows you to catch them because it—

Mr Kwinter: It only allows them to catch them if they are partially or wholly owned by that repair service.

Mr Sampson: No, that's wrong. You can catch them through the detailed regulations as to the appropriate business practice that the certified collision repair shop will have with anybody who tows the vehicle into their compound, as it relates to the payment of services for that towing service, as it relates to how that car is sourced at the scene of the accident, all sorts of things that the collision repair council could recommend to the minister.

You hit the nail on the head. We don't want to get those people who are towing somebody, because they've got a flat tire, to a Canadian Tire to get their tire repaired. Your amendment would capture them, and I'm not suggesting we do that. I'm suggesting we get at the bad business practice by getting at the majority player in the bad business practice, if there is any, on the collision repair side.

The Chair: I think the points have been made by both gentlemen. Is there any other comment on this?

Mr Kwinter: Well, just one more shot at it.

The Chair: The last one.

Mr Kwinter: The concern I have is that you're saying contradictory things. You're saying the act is going to deal with tow truck operators if they are owned or

partially owned by a collision repair shop. What difference does it make whether they are owned or partially owned by the repair shop if a tow truck operator is not owned but still has a relationship with the collision repair?

Mr Sampson: He is caught under any proposed regs that would determine the nature of that business.

Mr Kwinter: But I don't know what those regs are going to be, whereas it would seem to me that if you're talking about it here, why would you not capture that group as well in the same clause where you've already captured the ones that are owned or partially owned by repair shops?

Mr David Christopherson (Hamilton West): That's a good point. You could still have an external relationship that doesn't tie into any kind of ownership, but you could still have some funny business going on. Why wouldn't it be phrased in a way that captures all the tow trucks?

Mr Sampson: The answer to that question is that the legislation proposed here would allow for the creation of rules and guidelines that would be part of a certification of a repair shop that would determine the types of proper relationships they can have with people who bring cars in on a hook, and improper ones. The improper ones would be paying a percentage of the repair for the cost of the tow. That would be an improper business relationship with whoever towed the vehicle into your shop and would subject you to decertification as a repair shop.

I argue that that's probably a more effective way to get at that business relationship than to delve into the very complicated process of regulating the towing industry directly, which is what I think you are proposing. The amendment here simply says you can't get around being required to certify your collision repair shop by saying, "My primary business is in towing." That's the towing addendum to that clause, if you will, the "whole or in part." I don't want to provide a loophole where people would say, "I don't have to certify my collision shop because really I'm just in the towing business."

The Chair: Shall the amendment carry as proposed? Carried.

Shall section 1 of the bill then carry? Carried.

The next amendment, I believe, is a government amendment.

Mr Sampson: It deals with section 3. Do you need to carry section 2, Mr Chair?

The Chair: Sorry. Shall section 2 of the bill carry, since there are no amendments? Any opposed? Carried.

Section 3 of the bill: now we have an amendment.

Mr Sampson: I move that section 3 of the bill be amended by striking out subsections (2) and (3) and substituting the following:

"Board membership

"(2) The advisory board consists of 10 members appointed by the Lieutenant Governor in Council, of whom,

"(a) four shall be persons who work in the collision repair industry;

"(b) four shall be persons who represent the consumers of Ontario and who do not work in the collision repair industry; and

"(c) two shall be employees of the government of Ontario.

"Terms of office

"(3) The terms of office of the members of the advisory board are subject to the following rules:

"1. Members serve for a term set by the Lieutenant Governor in Council in the instrument of appointment.

"2. Members may be reappointed.

"3. When the term of a member expires, he or she continues to serve until a successor is appointed."

The Vice-Chair (Mr Ted Arnett): Any discussion on the motion? Shall Mr Sampson's proposed amendment carry? Carried.

Shall section 3, as amended, carry?

Mr Sampson: On subsection 4(1) I have another amendment, I believe, do I not, Katch? The annual report to the minister, that amendment?

Interjection.

Mr Sampson: Oh, I'm in the wrong section. I apologize.

The Vice-Chair: OK. Shall section 3, as amended, carry? Carried.

We now turn to section 4 of the bill.

Mr Sampson: I move that subsection 4(1) of the bill be amended by adding the following clause:

"(0.a) make an annual report to the minister concerning its activities, including an annual budget indicating the advisory board is self-financing, and make the report available to the public;"

The Vice-Chair: Any discussion on the motion? Shall the amendment carry? Carried.

Mr Sampson: I believe there's another amendment for 4.

I move that the subsection 4(2) of the bill be amended by striking out "subject to any conditions it sees fit" in the portion before clause (a) and substituting "subject to any conditions prescribed in the regulations."

The Vice-Chair: Any discussion on this motion?

Mr Kwinter: I just want to congratulate Mr Sampson for changing that particular provision. I've never seen any act that ever says "subject to any condition it sees fit." To make it conditional upon prescribed regulations is a huge step forward, and I want to thank you for doing that.

Mr Sampson: A 10-minute speech, I think it was, from the member opposite encouraged me that I was perhaps wrong in our original.

The Vice-Chair: Further discussion? Shall Mr Sampson's amendment carry? Carried.

1020

Mr Sampson: We have one more.

I move that section 4 of the bill be amended by adding the following subsection:

"SPPA

"(3) The Statutory Powers Procedure Act applies to procedures and hearings of the advisory board."

The Vice-Chair: Discussion on the motion? Shall the amendment carry? Carried.

Shall section 4, as amended, carry? Carried.

I understand that there are no amendments being proposed to section 5.

Mr Sampson: No, there is. I have one.

The Vice-Chair: To section 5 in the bill there are no amendments. We're adding a new section, 5.1.

So the question to put to the committee is, shall section 5 carry? Carried.

Section 5.1; Mr Sampson.

Mr Sampson: I move that the bill be amended by adding the following section:

"Motorist's Bill of Rights

"5.1(1) At the time of providing an estimate to a customer, every operator of a certified collision repair shop shall provide every customer with a copy of the Motorist's Bill of Rights that complies with subsection (2).

"Same

"(2) The Motorist's Bill of Rights shall contain at least the following elements:

"1. A statement advising the consumer of his or her right to select a certified collision repair shop for auto body damage covered by his or her insurance policy.

"2. A statement advising the consumer that an insurer may suggest that the work be done at a particular collision repair shop but may not require this work to be done at a particular collision repair shop.

"3. A statement advising the consumer of his or her right to be informed about whether the auto body repairs will be made with new original equipment parts, new aftermarket parts, or other type of parts.

"4. A statement confirming to the consumer that the repairer will, before the consumer takes custody of the repaired vehicle, provide the consumer with a certificate acknowledging that the repair has been made in accordance with all applicable safety standards.

"5. Toll-free phone number and Internet address for reporting suspected fraud and other complaints and concerns about collision repair shops to the advisory board."

The Vice-Chair: Discussion on the motion?

Mr Kwinter: I have some concerns under (2)1, "A statement advising the consumer of his or her right to select a certified collision repair shop for auto body damage covered by his or her insurance policy." When I first read that, my first reaction was that somehow or other that leaves an opportunity to negate the second part, which says, "A statement advising the consumer that an insurer may suggest that the work be done at a particular collision repair shop but may not require this work to be done at a particular collision repair shop."

I would prefer to have that statement say, "A statement advising an insured consumer of his or her right to select a certified collision repair shop for auto body damage," period. When you include "covered by his or her insurance policy," I have some concerns that that may be used by insurance companies to say, "This is

spelled out in the act and we can in fact direct where you're going," notwithstanding that in the second part it says that doesn't happen. I think the only purpose that last clause serves, the way it is now, is to say that it's covered by your insurance policy. If you substitute it and say, "A statement advising the insured consumer," it covers that without leaving the ambiguity that the insurance company can use this as a way of directing where that car gets repaired. Do you know what I'm trying to get at?

Mr Sampson: Yes. Actually, these two statements are just reflecting the reality as it is today; you'd just take out "certified collision repair shop" and put in "collision repair shop." Right now, the consumer can pick wherever they want to go, but the companies can provide some direction as to where to go. We're trying to capture today's reality. I don't quite follow what you're getting at with your concern about "covered by his or her insurance policy." I don't get it yet.

Mr Kwinter: One of the main thrusts of this act is to allow consumers freedom of choice as to where they get their car repaired, provided it goes to a certified auto collision shop.

Mr Sampson: Correct.

Mr Kwinter: And one of the things we're trying to eliminate is the concerns that have been expressed—and we've heard about them—where the insurance companies have their preferred list and say, "Here's where you've got to take your car." We're saying, "You don't have to do that any more. The insurance companies can say, 'Here's our preferred list,' but if you want to go somewhere else, you're free to do it." My concern is that when it says "covered by his or her insurance policy," that could be interpreted as, "Our policy says that here's where you're going to take your car." If you want to get to the point where you want to cover the fact that we're only dealing with insured drivers—when I say "insured drivers," it's drivers who have collision insurance—then if you just say "A statement advising the insured consumer" of his right, it solves that problem.

Mr Sampson: I'm not actually going to argue that deleting that phrase is problematic. I would be prepared to delete that phrase. I don't know whether we can, actually. I don't know technically whether we can. I suppose if I agree, we could. I'm not wedded to having that phrase—

Mr Kwinter: We're debating an act. We can do whatever we want as long as we get consent.

Mr Sampson: I don't have a problem with what you're suggesting, Monte. They are there because it's being covered by the insurance policy. I don't have a problem with that.

Mr Kwinter: And it's covered in my amendment. It just says "the insured consumer."

Mr Sampson: You're suggesting stopping where?

Mr Kwinter: I'm saying, "A statement advising the insured consumer of his or her right to select a certified collision repair shop for auto body damage."

Mr Sampson: Are you wedded to including “insured consumer”? What’s the difference?

Mr Kwinter: This particular clause deals only with people who are covered by insurance.

Mr Sampson: I think by “insured consumer,” you’re doing the same thing I tried to do by saying “a consumer covered by an insurance policy.” I think we’re doing the same thing. I’m worried about the term “insured consumer,” because it’s not defined anywhere. I don’t think “insured consumer” is even defined in the Insurance Act. We might be setting up a definition that hasn’t been defined anywhere in any other act, the Insurance Act or this one. “Consumer” is a relatively consistent definition, I would argue, in a lot of statutes in the province of Ontario. I would argue that it just say “A statement advising the consumer of his or her right to select a certified collision repair shop for auto body damage.”

Mr Kwinter: Fine. I have no problem with that, no problem at all.

Mr Sampson: Does that deal with your concerns, David?

Mr Christopherson: Yes. In fact, the reason I asked for the floor was that I just wanted to compliment you on responding to some of those concerns. Nobody expected a New Democrat to be the one to jump forward and argue the insurance companies’ rights here, but I thought they made some really good points and raised some good concerns. I’ve had discussions with you, and I thought it was really good that you came up with it in a way that makes it very clear that we’re not looking to change that; and if we were, that was a whole different process, and I had a problem with trying to ram that through. I wanted to compliment you on being sensitive to things.

Mr Sampson: Mr Chair, I am proposing unanimous consent of the committee to delete—

The Vice-Chair: You need to request unanimous consent.

Mr Sampson: Can I have unanimous consent to delete from my amendment?

The Vice-Chair: You need unanimous consent to move a motion to amend your amendment.

Mr Sampson: That’s what I need.

The Vice-Chair: Is there unanimous consent to allow Mr Sampson to amend his amendment? Agreed.

Mr Sampson: My amendment would be to take the amendment that I have already read into the record but in clause 5.1(2)1, we’d delete “covered by his or her insurance policy.” That would read, “A statement advising the consumer of his or her right to select a certified collision repair shop for auto body damage.”

The Vice-Chair: Is there any discussion on the amendment to the amendment? Shall the amendment to the amendment carry? Carried.

Shall the amendment, as amended, carry? Carried.

Shall section 5.1 carry? Carried.

I see no amendments to section 6. Shall section 6 carry? Carried.

Section 6.1; Mr Sampson.

1030

Mr Sampson: Yes, I have a 6.1. I move that the bill be amended by adding the following sections:

“Duty to be”—oh, sorry.

The Vice-Chair: That’s Monte’s.

Mr Sampson: I’m sorry. This is not my amendment. I apologize to you, Monte. I don’t move anything.

Mr Kwinter: That’s right. I move an amendment, a new section 6.1.

I move that the bill be amended by adding the following section:

“Duty to be certified

“6.1(1) No person shall operate a collision repair shop that is not certified by the minister in accordance with the regulations.

“Penalty

“(2) Every person who contravenes this section is guilty of an offence, and on conviction is liable to a fine not exceeding \$10,000 for a first offence, and not exceeding \$50,000 for each subsequent offence.”

The Vice-Chair: Thank you, Mr Kwinter. I apologize for not recognizing you initially. Any discussion on Mr Kwinter’s amendment?

Mr Christopherson: Just a question: I see that it removes the issue of an imprisonment penalty. That’s the main change in what you’re proposing, is it, Monte? I’m just looking at the difference between what you originally proposed, Rob, and what Monte has just moved. It seems to me that the only difference was the imprisonment part, and I just wondered why.

Mr Sampson: I think it’s because when I took Crozier’s amendment, I took it back to legal counsel and said, “Is there an imprisonment component that could be added?” They did, and I never got that to you. Do you have any problem with that?

Mr Kwinter: I have no problem with that.

Mr Sampson: OK. Do you want to do what I just did with the last amendment?

Mr Kwinter: Sure. Can I just amend my amendment?

The Vice-Chair: You need to seek unanimous consent.

Mr Kwinter: Can I have unanimous consent to—

The Vice-Chair: Yes. Is there unanimous consent for Mr Kwinter to move an amendment to his amendment? Agreed.

Mr Kwinter: Under subsection 6.1(2), it would be “a fine not exceeding \$50,000 or to imprisonment for not more than six months, or to both, for each subsequent offence.” I move the amendment to the amendment.

The Vice-Chair: Any discussion on Mr Kwinter’s amendment to his amendment? Shall the amendment to the amendment carry? Carried. Shall the amendment, as amended, carry? Carried.

Shall section 6.1 carry? Carried.

Moving now to section 7; Mr Sampson.

Mr Sampson: I move that section 7 of the bill be amended by adding the following clauses:

“(c) prescribing anything that may be prescribed for the purposes of this act;

"(d) generally for implementing the provisions of this act."

The Vice-Chair: Any discussion on the amendment?

Mr Sampson: This one deals with the insurance companies' suggestion that there wasn't enough regulatory-making authority to implement the bill.

The Vice-Chair: Any discussion on the amendment? Shall the amendment carry? Carried.

Mr Sampson, you have another proposed amendment for this section.

Mr Sampson: Yes. I move that section 7 of the bill be amended by adding the following subsection:

"Fees

"(2) The Lieutenant Governor in Council may make regulations,

"(a) requiring applicants for the certification of collision repair shops to pay reasonable fees to support the operation of the advisory board;

"(b) to ensure that the advisory board is self-financing."

The Vice-Chair: Any discussion on this amendment? Shall the amendment carry? Carried.

Shall section 7, as amended, carry? Carried.

Turning now to section 8; Mr Sampson.

Mr Sampson: I move that section 8 of the bill be struck out and the following substituted:

"Insurance Act

"8. The Insurance Act is amended by adding the following section:

"Payment for collision repair

"263.1(1) An insured who is entitled to payment from an insurer for the repair of damage to an automobile as a result of a collision is entitled to have the repair performed at any certified collision repair shop within the meaning of the Collision Repair Standards Act, 2002, subject to any rules that may be made in regulations under subsection (3).

"Cooling off period

"(2) Despite the terms of any policy, an insurer is not required to make a payment for the repair of damage to an automobile due to a collision where the automobile was towed to a collision repair shop or a collision reporting centre, and the automobile was not released for repair with the consent of both the insurer and the insured.

"Regulations

"(3) The Lieutenant Governor in Council may make regulations setting out rules for the purposes of subsection (1).

"Definitions

"(4) In this section,

"'collision' includes,

"(a) collision with another vehicle,

"(b) collision with the roadway or any object on the roadway,

"(c) an act of theft or attempted theft,

"(d) fire, or

"(e) vandalism;"

The Vice-Chair: Any discussion on this particular amendment?

Mr Kwinter: I just want a clarification. It may be OK, but I'd just like your explanation on the cooling off period and the wording. It says, "Despite the terms of any policy, an insurer is not required to make a payment for the repair of damage to an automobile due to a collision where the automobile was towed to a collision repair shop or a collision reporting centre"—I have no problem with that; then it says—"and the automobile was not released for repair with the consent of both the insurer and the insured." Is that meant to say that notwithstanding that the insured and the insurer both agree it should be released for repair, these people don't do it? Or should it say "was released for repair without the consent of both the insurer and the insured"? I just want to get some clarification, because when I read that, I'm having a little difficulty figuring out what it is that it's trying to solve.

Mr Sampson: Yes, it's a double negative thing you've got to work through. The insurer is not required to make the payment if the vehicle was not released. If it was released, they are required to make the payment. Your interpretation of this is the meaning of it, but it's the double negatives that make it complicated. I must agree with you. This section is actually worded to say that the only time a repair can be done is if it was released by both the insurer and the insured. It's just the double negatives in that clause that make it difficult to read.

Mr Kwinter: So possibly we can get rid of the "was not" and just have "the automobile was released for repair without the consent of both the insurer and the insured."

Mr Sampson: The policy says, "You have to make the payment." This says, "You don't have to make the payment if these weren't done."

Mr Kwinter: Is legislative counsel happy with that wording?

Mr Ralph Armstrong: Ralph Armstrong, legislative counsel office. My understanding of it is in accordance with Mr Sampson's that it's the double negative. You're not required to make a payment where it was towed to the centre and it was not released with consent, meaning the negatives pile up; essentially, if it was not released with the consent of both parties, no payment need be made, which I believe is the intent of the policy behind the provision.

Mr Kwinter: Why can't it say that?

Mr Armstrong: I think we'd pile up negatives no matter how we do it, because we're talking about not making a payment where certain circumstances apply or don't apply.

Mr Sampson: The way the Insurance Act is written makes it mandatory that payments be made, so any other bill that deals with when payments can't be made has to start off and say, "You can't make payments when these things don't happen." I suppose you could say, "You can't make payments where these things do happen," but

describing what the “do happen” is in this particular case—to the extent that’s an English phrase—is that people don’t release. One’s caught by the legalese.

Mr Kwinter: Again to the legislative counsel, you’re satisfied that that covers it?

Mr Armstrong: I am satisfied, sir.

Mr Kwinter: OK.

Mr Sampson: I agree. If only we could use English, right?

The Vice-Chair: Any further discussion on this particular amendment? Shall the amendment carry? Carried. Shall section 8, as amended, carry? Carried.

Section 9; Mr Sampson.

Mr Sampson: I move that section 9 of the bill be struck out and the following substituted:

“Commencement

“9. This act comes into force on a day to be named by proclamation of the Lieutenant Governor.”

The Vice-Chair: Any discussion on this amendment? Shall the amendment carry? Carried.

Shall section 9, as amended, carry? Carried.

Section 10: I believe there are no proposed amendments to section 10. Shall section 10 carry? Carried.

Mr Sampson: Mr Chair, before we move on the entire bill, a note has been passed to me about whether, under section 5, the minister might want to delegate the authority to the council to certify and decertify shops, and that’s not currently contemplated by the bill. I’m just wondering whether the committee would unanimously allow me to reopen that section to consider that amendment. I don’t have a written amendment now, but a note has been passed to me that we might want to provide for that.

Mr Christopherson: Where does that authority lie now?

Mr Sampson: It sticks with the minister.

Mr Christopherson: Is there an element of some kind of check and balance that’s of benefit to the consumer by virtue of the minister doing it? Even though it’s a rubber stamp, by and large, there’s still a recommendation that has to come from the advisory group and it still has to be on the radar screen of the minister’s staff before they put it in front of him or her to sign. Are we removing an element of check and balance that may actually be of value, both in fairness to the consumer to get the bad shops out of the game, but also so that shops don’t inadvertently lose a licence? I mean, one bad mistake like that and they could be out of business in a blink.

Mr Sampson: I’m comfortable leaving it where it is. If the minister wants to make that amendment, he or she can do that in subsequent bills. I’ll leave it as it is, sure.

The Vice-Chair: That’s fine.

We are now at the point of the title of the bill. My question to the committee is, shall the title of the bill carry? Carried.

Shall Bill 186, as amended, carry? Carried.

Shall the Chair of the committee report the bill, as amended, to the House? Carried.

Thank you very much, committee members. Well done, Mr Sampson, and congratulations. I will adjourn the committee.

Sorry. There is one additional order of business that has been brought to my attention. The Chair of our committee has received an invitation to attend a conference in February 2003 in Australia, and it has been suggested by Katch that we refer this matter to the subcommittee for discussion. Is everyone in agreement with that? Agreed.

Any further business? OK. The committee’s adjourned.

The committee adjourned at 1044.

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Official Report of Debates (Hansard)

Thursday 28 November 2002

Journal des débats (Hansard)

Jeudi 28 novembre 2002

**Standing committee on
finance and economic affairs**

Toronto Waterfront
Revitalization
Corporation Act, 2002

**Comité permanent des finances
et des affaires économiques**

Loi de 2002 sur la Société
de revitalisation
du secteur riverain de Toronto



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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 28 November 2002

Jeudi 28 novembre 2002

The committee met at 1002 in room 151.

SUBCOMMITTEE REPORT

The Chair (Mr Joseph Spina): Good morning, everyone. I call this meeting to order. The first item on our agenda is the adoption of the subcommittee report dated November 12. Do I have a mover for that?

Mr Rob Sampson (Mississauga Centre): So moved.

The Chair: Mr Sampson moves the adoption of the subcommittee report. Any questions or comments? Mr Sampson, would you be kind enough to read it into the record?

Mr Sampson: I knew I shouldn't have done that. I was trying to be nice.

Your subcommittee met on Tuesday, November 12, 2002 to consider the method of proceeding on Bill 151, An Act respecting the Toronto Waterfront Revitalization Corp and recommends the following:

(1) That the committee meet in Toronto on Thursday, November 28, 2002, and, if necessary, on Wednesday, December 4, 2002, to hold public hearings on Bill 151.

(2) That the committee shall proceed with clause-by-clause consideration of Bill 151 on Thursday, December 5, 2002.

(3) That the committee shall post information regarding the hearings on the Ontario parliamentary channel and on the Internet.

(4) That the following stakeholders be invited to appear before the committee: the federal government, the city of Toronto, surrounding municipalities and the Toronto Island Community Association.

(5) That interested people who wish to be considered to make an oral presentation on Bill 151 should contact the committee clerk by 12 noon on Thursday, November 21, 2002.

(6) That, if the parties wish to submit party lists to the committee clerk, they should do so by 12 noon on Thursday, November 21, 2002.

(7) That another subcommittee meeting be called if selections of witnesses have to be made.

(8) That, if all witnesses can be scheduled in the time available, the clerk shall be authorized to schedule the witnesses.

(9) That all witnesses for Bill 151 be offered a maximum of 20 minutes in which to make their presentations with the actual amount of time offered to be determined

on Thursday, November 21, 2002, depending on the number of requests received.

(10) That the deadline for written submissions be Wednesday, December 4, 2002, at 5 pm.

(11) That the deadline for amendments be Wednesday, December 4, 2002, at 5 pm.

(12) That background material and a summary of testimonies be prepared by legislative research.

(13) That the clerk of the committee, in consultation with the Chair, be authorized, prior to the adoption of the report of the subcommittee, to commence making any preliminary arrangements to facilitate the committee's proceedings.

The Chair: Thank you, sir. Any comments? All in favour of adopting the subcommittee report? Carried.

Because we have accepted that subcommittee report, we now are in a position to entertain deputations for Bill 151, An Act respecting the Toronto Waterfront Revitalization Corporation, a bill put forward by the Hon Janet Ecker.

TORONTO WATERFRONT
REVITALIZATION
CORPORATION ACT, 2002LOI DE 2002 SUR LA SOCIÉTÉ
DE REVITALISATION

DU SECTEUR RIVERAIN DE TORONTO

Consideration of Bill 151, An Act respecting the Toronto Waterfront Revitalization Corporation / Projet de loi 151, Loi concernant la Société de revitalisation du secteur riverain de Toronto.

TORONTO BOARD OF TRADE

The Chair: Our first deputant is the Toronto Board of Trade. Please state your name for the record of Hansard.

While you're getting settled, I'll take this opportunity to indicate to all that presentations are 20 minutes long, which will be a combination of your presentation and any questions the panel may have in any time you may leave after your presentation. We expect to conclude at 12:05. That will be the sum total of the delegations for this committee.

Ms Louise Verity: Good morning. It's a pleasure to be here. My name is Louise Verity, and I am director of policy with the Toronto Board of Trade. With me is

Angie Brennand, who is a policy adviser with the Toronto Board of Trade. We certainly appreciate the opportunity today to participate in the hearings on Bill 151.

At the outset, I would like to clearly convey our concern with the legislation. In our view, the authority vested in the corporation is much weaker than it should be. We are concerned that the powers set out in the legislation will not allow for successful transformation of Toronto's waterfront in an effective and timely way.

The Toronto Board of Trade has been a long-standing proponent of waterfront revitalization. We view waterfront redevelopment as Toronto's opportunity to reposition itself on the global stage and secure its future contribution to Ontario's economic growth.

We commend the province on its \$500-million commitment to this important infrastructure project. The waterfront corporation's business strategy provides a clear rationale for this commitment, an estimated 3:1 return on public investment.

We believe that the authority in this legislation is central to the success of rebuilding Toronto's waterfront. The structure and powers of the corporation will determine its ability to transform our derelict waterfront. Common to all the world's great waterfront cities are strong, mandate-specific urban development corporations. Successful urban development corporations typically act as a business, but possess key government powers for catalyzing reinvestment.

We urge you to amend Bill 151 to give it greater clout. We make this comment after reviewing the powers of corporations used by our competitors in the United States and the United Kingdom. To that end, we urge you to amend Bill 151 in three ways: first, enshrine the corporation's powers in the legislation so that it can be responsive to change over a 25-year time horizon; second, create the strong, powerful corporation required to successfully implement the waterfront plan; and, third, balance these considerable powers with strong accountability measures.

A word on the first item, legislated powers important to successful implementation: the waterfront corporation, as you know, is governed by a board of directors appointed by its three government partners. In our view, giving powers to the corporation on an annual or case-by-case basis puts the entire waterfront plan at risk. Legislating the corporation's powers is critical for two reasons.

First, the corporation needs to be responsive in order to implement the waterfront plan and engage the private sector. We believe that opportunities for private sector investment will be mired if the corporation cannot act powerfully and responsively in a business environment.

Second, requiring the corporation to seek trilateral approval of its powers in every situation will have catastrophic consequences if one government partner does not consent.

Toronto's waterfront revitalization must not be derailed by political disagreement or special interests,

which is often very much the case as to what occurs in the city of Toronto. We believe that enshrining the corporation's powers in legislation is essential.

Successful urban development corporations typically possess a range of tools to fulfill their mandate and leverage private sector investment. It is our view that the corporation should be able to own, buy, sell and develop land; raise revenue; borrow; mortgage; and establish subsidiaries.

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The Board of Trade believes that government agencies should coordinate all waterfront activities through the corporation. We support the corporation's request for the ability to coordinate funding from various levels of government. We believe that the power to make grants, loans and secure or guarantee loans will increase the corporation's ability to implement the waterfront plan. It should be empowered to enter into contracts, select developers and contractors, and implement financial tools such as tax-exempt municipal bonds.

Our research indicates that effective urban development corporations in the US and the UK typically possess a range of tools to fulfill their mandate and to leverage private sector investment. Examples include the Battery Park City Authority in New York, the Baltimore Development Corp, the Boston Redevelopment Authority and certainly Canary Wharf in the UK.

To balance what we believe to be really central powers, we're also recommending new accountability measures. These broadened powers must be balanced by strong accountability measures in order to secure public and private engagement and support. We recommend that the corporation be legislated to keep the public apprised of its activities and publish annual financial statements and business plans. It must also be subject to freedom of information requests and adhere to strong conflict of interest policies.

Previous attempts to revitalize our waterfront have failed, in part, we believe, because we have lacked an effective organization to finance and manage redevelopment. We believe Toronto's waterfront revitalization to be critical to the future of Toronto, the GTA region, the province and the country.

The Chair: Thank you, Louise. That leaves us about 14 minutes for questions, roughly five minutes each. Mr Phillips?

Mr Gerry Phillips (Scarborough-Agincourt): I appreciate the comments. The challenge here, I think, is that the public is very, very skeptical of behind-closed-doors secret deals and money being made that they don't see. It's a challenge. Frankly, I share a lot of the public's concerns; I increasingly share them.

I have a couple of questions. One, would you see this corporation holding its meetings in public?

Ms Verity: That issue has certainly come to the fore recently, in the last few days in particular I think, covered through the media. We are not supportive of holding all the corporation's meetings in public. One thing we would really commend the corporation on to date is the fact that

it has held very open public consultations. Right now there are consultations that the corporation is involved in with the city of Toronto, a number of them across the city. There are also consultations that have been held, I think, by the planning department at the city. It's really been an extremely open process. I think our concern is that if all of a sudden every single meeting is entirely open, every development deal—there's such a level of openness—it will just become so gridlocked that nothing will be able to take place.

If you look at other things that are happening in the city of Toronto today, we're almost paralyzed in so many different areas, and I would hate to see that happen in the case of the waterfront corporation.

Mr Phillips: That's a challenge, and the public have a right to be very skeptical.

I was very taken with your comment on conflict of interest. I have some real worries, very major worries, about conflict of interest—you mentioned a stronger one.

I think there's an individual on the current board who's also on—is it the harbour commission that's doing the airport? What do they call it?

Ms Verity: Actually the port authority has the—

Mr Phillips: The port authority, right.

Would you see it as appropriate that you have a member on the waterfront revitalization board who also is a board member—if I'm not mistaken, the waterfront corporation just sent a letter of some support for the airport redevelopment. You've got a sort of cross-pollination of directors on these two boards, kind of wearing two hats. Would you, or would the board, see that as something we should try to guard against?

Ms Verity: To be honest, we have not looked at that particular issue in a lot of detail. All I know is that, from a conflict-of-interest standpoint, really the onus is back on the government, because it's the three levels of government that have made the appointments of those individuals who are sitting on the corporation. So I would really put the question back to them.

But most boards of directors do have that, and we do for our board as well, even for anyone who's participating in the board's policy work, to ensure they are aware that they are, at the end of the day, going to be making recommendations that are reflective of the business community as a whole, not their specific sector. So I think it just makes good sense in this era to really look at that question.

Certainly the question of the composition of the board—we haven't gotten into that in our submission. I think that has been very much set. But certainly conflict of interest is something that does warrant consideration, and I would anticipate that it's something the corporation is looking at.

Mr Phillips: Do you have any suggestions for language we should put in? We're approving a bill that sets the criteria for how the province appoints its directors to this board. Have you any language that you think we should consider?

Ms Verity: We didn't bring the language that we've been looking at with us today, but we would certainly be

happy to work with the committee or work with different people who are interested in bringing forward amendments.

Mr Phillips: I think we have a week to do that, Mr Chairman?

The Chair: Yes.

Thank you, Mr Phillips. Mr Prue?

Mr Michael Prue (Beaches-East York): I'm going to go pretty much in the same vein. Having come from the city of Toronto just a little over a year ago to this august place, I have to tell you that the deals made behind closed doors in the city have turned out to be absolutely disastrous, and what you're asking for is that an agency be given the same power, the same thing that produced the MFP scandal, the same thing that produced the TEDCO and Knob Hill lands fiasco, and I'm sure there are going to be others.

Why is it necessary that the meetings be held in private? I don't understand. There is the provision in municipal law, and provincial and federal, that things can go in camera if necessary but must be reported out in public. I don't understand why you want to keep these secret.

Ms Verity: I think first of all, the representatives who are appointed to the corporation are in effect the representatives of each level of government.

Secondly, I think it's probably worth considering, if you want to look at other models or other bodies, even government agencies and some of the boards there, how they conduct their business. You cannot conduct business effectively with the public at every meeting. I think even the city of Toronto, in the last 24 hours, in their deliberations on the City Centre Airport, have spent more time in camera than not on some of these issues.

It may be fair game for the corporation to have a regular dialogue with the public, have a regular consultation. There may be things they would want to do in that regard where you can satisfy the needs of the public. But ultimately you need to set up a structure that has the ability to make decisions. Our concern is that if every meeting is open, you won't have an environment that is conducive to getting the job done.

Mr Prue: I don't think anyone's asking that every meeting be—I think everyone wants every meeting to be open, but everyone should understand that some things are required to go in camera: matters of legal importance, being sued in the courts, land deals. It's all set out in the legislation, for municipalities at least, those things that can go in camera, and everything else has to be out. Why couldn't the corporation act the same way?

Ms Verity: First of all, there are a lot of very challenging issues, and I would be concerned that the public environment that we now have in the city of Toronto in some ways actually prevents the city from getting the job done. I wouldn't want to set up the corporation in such a way that every single meeting was so open, and with so many interruptions, that they couldn't conduct their business. I think there would really be a danger of that in the type of model you're proposing.

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Mr Prue: Is there not an equal or even worse danger of deals being made behind closed doors where people profit by them? I look to TEDCO, where Toronto had councillors on and people they had appointed. The deal with Knob Hill Farms was, I think, not in the public interest.

Ms Verity: That's why I think, on the other side of the equation, we are also recommending some very strong accountability measures to be put into place. I also think that the conflict-of-interest policy and some of the accountability areas are perhaps the areas where the government should be really involved in the interim as appropriation is getting established. We really, I would say, feel quite strongly that we must set up a structure in a way that allows the board to make decisions and to move forward.

I think what's also important is that, as the government is making their recommendations to appoint members of the board, those members meet the conflict-of-interest standard that is set, and also that the board has the type of expertise that's required to make good decisions.

Mr Prue: Taxpayers in the province of Ontario are putting forward \$500 million. The city of Toronto is putting forward mostly land. The federal government's putting, I guess, \$500 million as well. How are the taxpayers protected in their investment?

Ms Verity: I think I've already stated that ultimately the governments representing the taxpayers are making the recommendation as to who sits on the board of directors. I think the taxpayers can be very well served by strong accountability procedures. Some of the other procedures that I mentioned in the deputation, just access to financial statements and annual reports—some of those items are already in the legislation, but I think if there is a very strong conflict-of-interest policy in place, it could certainly go a long way to satisfying what you're looking to satisfy.

The Chair: Members from the government side, questions?

Mr Sampson: Yes. In the world you come from and are representing with the board of trade, many of the businesses you represent through that association have shareholders. I guess along the same line of questions that have come from my colleagues opposite, the concept of that business environment relationship isn't—whoever is running the corporation is ultimately responsible to the shareholders. Yet, when we set up public corporations, we tend to have them corporations without shares. In fact, section 2(6) says that this is a company that will in fact erase the existing temporary shares that are being held by. I'm assuming, the city of Toronto, the province and the feds.

When you don't have a shareholder, I guess my question is, how do you make sure the accountability that you've referenced in your delivery gets demonstrated on a day-to-day basis by the people who are running the corporation? I think that was the theme and the line of questioning from both gentlemen before me.

Ms Verity: Well, I think I would probably answer the question in the same way, which is that the government has the ability to make the appointments to the board of directors. Ultimately, for the waterfront corporation to succeed in the longer term, it's going to require continued involvement from every level of government, not just today but for a decade or so going forward, and more. I think the government at the end of the day will ultimately be able to evaluate the work of the corporation in that type of way.

I guess what I continue to come back to—we have the opportunity to observe all three levels of government fairly closely at the Toronto Board of Trade. We work with all three levels of government. I think the challenge that the city—with everything happening in the open all the time, sometimes it really prevents decisions being made and long-term planning occurring. We would really hate to see the corporation be a victim of this type of approach. It's really within that spirit that we are making our recommendations.

Mr Bert Johnson (Perth-Middlesex): I had a question. It may follow the same theme, but I'll ask it from a little different direction. It is in connection with transportation. My colleagues come from Toronto. I want to ask a question around one of those people who want to come into downtown Toronto every once in a while. I'm going to come down to a ballgame, a hockey game. I want to come to the exhibition. I want to come to the Royal Winter Fair. I don't want to take two days to get into downtown Toronto and back.

I guess my question is around transportation, the Gardiner, the airport, those other things that bring people in and out of downtown Toronto and the way they are represented on the board by either federal or provincial government appointees. How do they get their interest across that way?

Ms Verity: I'm not sure I understand your question.

Mr Johnson: If that's a reasonable thing to think about, how does that get to the board of directors? As Rob says, there are no shareholders. As Mr Phillips says, there aren't direct strings on it. Mr Prue says they aren't open meetings. How do those interests get to the board?

Ms Verity: Right. I think all three levels of government also have a role to play in terms of ensuring Toronto's infrastructure moves smoothly. We have released a report that shows that Toronto has a significant infrastructure deficit. One of the things we were pleased to see in the waterfront redevelopment plan is the fact that they are certainly looking at ways of coordinating all of the transportation networks with the waterfront revitalization. I'm not sure I've answered your question.

The Chair: Whether you have or not, Louise, thank you very much. Our time is up. Thank you for the presentation today.

TORONTO WATERFRONT REVITALIZATION CORP

The Chair: The next presenter is the Toronto Waterfront Revitalization Corp, headed by Mr Fung.

Mr Robert Fung: Mr Chairman, members of the committee, good morning. My name is Robert Fung. I am the chair of the Toronto Waterfront Revitalization Corp. I would like to thank committee members for allowing me to address you today.

I was pleased to see, on reading the second reading debate on Bill 151, there is general agreement among the three provincial parties that Toronto's waterfront offers an unprecedented opportunity for this city, the province and Canada. This all-party support is in keeping with the strong support and commitment that is shared by the three levels of government.

In the year 2001, the government of Canada, the province of Ontario and the city of Toronto formally announced the creation of the Toronto Waterfront Revitalization Corp. Currently, the corporation exists as an interim corporation. Despite our interim status, we've been able to start the job of revitalization.

In the spring, we launched four priority projects: the Front Street extension, flood protection and naturalization of the lower Don River, the subway platform expansion at Union Station and the portlands preparation project. In October, we submitted our development plan and business strategy to the three levels of government. We held 10 public meetings during November to hear from city residents on the strategy.

Passage of Bill 151 is important because it will give the corporation permanent status and because it provides a framework for establishing the powers and authorities the corporation needs to implement the development plan and business strategy.

I want to focus my remarks today on three areas: first, the role of the Toronto Waterfront Revitalization Corp and the rationale for having such a corporation; secondly, I want to talk about the powers the corporation requires to fulfill its mandate and, equally important, the responsibilities and accountabilities that go along with these powers; and, finally, I would like to talk to you about the corporation's vision for revitalizing Toronto's waterfront.

In 2000, the Toronto Waterfront Revitalization Task Force recommended that the three levels of government establish a special corporation to take the lead in waterfront renewal. This recommendation was based on the success of such entities in other cities that have carried out landmark waterfront revitalization projects. These cities include London, New York, Barcelona, Sydney and Shanghai, among many others.

In these jurisdictions, redevelopment corporations have been responsible for integrating the planning, financing, construction, marketing and other aspects of revitalization around a core function of urban design. They each use a private sector business model. They are supported by public powers. The result is that these corporations have successfully established world-renowned public spaces and amenities. They have engaged private investment through building and infrastructure development, the proceeds from which are set against public costs.

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An example that is likely familiar to many is the London docklands. There, the London Docklands Development Corp leveraged \$5 billion in public sector financing to attract more than \$19 billion in private sector investment. About 80,000 jobs have been created and 24,000 housing units for a range of incomes have also been built.

The economic transformation of the docklands is dramatic, but even more dramatic is how the docklands transformed London. Once a shabby and industrial wasteland, the docklands are now a cultural and recreational jewel. Any visitor can tell you that the docklands are where many of London's most exciting attractions are located. One must also ask the question that if Canary Wharf was not built, would London today be one of the principal global financial centres?

The three levels of government, numerous agencies, as well as private landowners, have a stake in the development of Toronto's waterfront. However, none of these entities has the mandate or authority to oversee the implementation of an overall integrated Toronto waterfront revitalization strategy. Previous attempts to revitalize Toronto's waterfront have failed because not only could the three levels of government not get together, but because we have lacked an effective mechanism to oversee and coordinate the management and financing of redevelopment. This is the role of the Toronto Waterfront Revitalization Corp. We will take the lead in working with the three levels of government and their agencies, the private sector and, most importantly, the public, to ensure that a coherent, successful strategy is implemented and is in keeping with the publicly approved vision.

Before I move on, I also want to stress that the corporation will be carrying out revitalization within the context of the city of Toronto's official plan, which is required in Bill 151. The corporation has been working very closely with city of Toronto to make our development plan and the city's central waterfront secondary plan mutually supportive and consistent.

Bill 151 sets out the framework through which the waterfront revitalization corporation's powers and authorities will be developed in conjunction with the three levels of government. These powers will enable the corporation to operate like a conventional development corporation. These powers will allow the corporation to borrow and raise revenue, purchase and sell or lease land and, if necessary, create subsidiaries.

The corporation will also need to access the expropriation powers of government and, so long as these powers are available to the corporation, the corporation does not need to possess them directly. Through discussions with government, appropriate conditions will be placed on these powers to ensure that their use fits with the objectives set out in our development plan and business strategy.

I want to stress that in order for the corporation to function effectively these discussions need to happen as

soon as possible. The corporation's powers must be clearly defined and agreed to, so that the corporation can carry out its business without having to seek government approval on a piecemeal basis. I believe we can achieve this.

We are also pleased with the government's proposed amendment to Bill 151 to allow our board of directors to conduct a review of the corporation's operations after 12 months and to report back to government on any changes in the corporation's powers that may be required to effectively carry out our revitalization mandate.

The corporation recognizes that accountability and transparency go hand in hand with being entrusted with these powers and authorities. Public trust is essential for the success of waterfront revitalization. These principles underlie the operations of the corporation, including our interactions with the private sector.

Bill 151 requires the corporation to submit an annual business plan to the three levels of government for approval and provide regular reporting on our activities throughout the year. The legislation also requires that the corporation include a public consultation strategy in the business plan, publish an annual report and hold a public annual general meeting.

We take seriously the need for a dialogue with the public. A public consultation strategy was included in our development plan and business strategy that was submitted to government in October. It is in the package that has been distributed to you.

The corporation is committed to effective two-way communications with members of the public. The corporation recognizes that public consultation is an integral part of the revitalization of Toronto's waterfront. As Bill 151 recognizes, public consultation improves the quality of decisions and is a key objective of the corporation. As I mentioned earlier, we have just completed a round of 10 public meetings on the development plan and business strategy.

Finally, to enhance accountability, Bill 151 sets out requirements for conflict of interest. The corporation has already established a rigorous conflict-of-interest and code of conduct policy for our directors, officers, employees and third-party contractors, and this policy is also included in your package. The policy has been reviewed by and had the benefit of input from the Honourable Charles Dubin. The corporation has retained the former Chief Justice of Ontario to provide ongoing independent advice on governance, conflict of interest and procurement issues.

Bill 151 aims to equip the corporation with the tools we require to implement a vision for revitalization that has the support of three levels of government and the people of Toronto. I want to now briefly describe that vision so that you can all appreciate why passage of this legislation is so vital.

At its core, the revitalization of Toronto's waterfront is an infrastructure project driving an economic model. What this means is that we are going to leverage public investment in land remediation and services to attract

substantial private sector investment in strategic projects and industries. The result will be to strengthen Toronto's, Ontario's and Canada's global competitiveness.

A key ingredient to strengthening our competitiveness lies in improving quality of life. We know that the most successful cities around the world are those with a vibrant, high quality of life, which allows them to attract the most successful people and the best companies. In fact, quality of life is the new imperative for cities in the 21st century.

Through the work of the corporation, our waterfront will be transformed into an international architectural, cultural, entertainment and recreational calling card, and most importantly, it will provide the people of Toronto, Ontario, and Canada with the great waterfront community they need, want and deserve.

The corporation's development plan and business strategy sets out a 30-year plan for waterfront revitalization. Over the course of the initiative, the corporation estimates that the governments as a whole will get back \$3 for every \$1 invested. This investment will create 194,000 person-years of employment during construction and 30,000 permanent new jobs.

The revitalization of Toronto's waterfront will add a number of amenities: cultural, entertainment and recreational facilities; at least 500 acres of new and improved parks; and live-work neighbourhoods. In turn, they will make the city a more desirable place to live and work and, by extension, conduct business. New world-scale cultural attractions could be located on the waterfront. Our plans envision a multicultural centre for the arts at the foot of Yonge Street and an internationally recognized exhibition and entertainment district at Exhibition Place and Ontario Place.

Important public policy objectives will be achieved through revitalization. Brownfield development on the waterfront will provide more than 40,000 new housing units, including affordable housing, to help accommodate projected GTA growth. We have proposed an \$800-million investment in public transit, which we will promote as a primary mode of travel. Water quality will be improved, and the Don River will have a new mouth to the bay. Contaminated lands will be made safe. Public access to the lake will be improved. A revitalized waterfront will provide a national postcard showcasing Toronto as one of the most livable cities in the world.

We all agree on the imperative of revitalizing Toronto's waterfront. We now have the plan to move forward. Toronto can regain its lustre as a premier urban centre of international stature. Toronto's competitors have revitalized their waterfronts—Boston, New York, Cleveland, Chicago, San Diego, San Francisco—and in doing so reaped economic and social benefits. We can succeed. And we can do it better.

Passage of Bill 151 will enable the corporation to effectively and responsibly achieve these goals.

The Chair: Thank you, Mr Fung. That leaves us about a minute and a half per caucus. We begin with the NDP.

Mr Prue: Mr Fung, I met you many times as a Toronto councillor and I admire very much what you're trying to do. But it comes back to the question again—I don't believe you were here for the first deputation—of public accountability. I think that needs to be built in. Although it was slightly in your remarks, could you just expand on what the corporation would need in order to be truly open and accessible to the public so the public can make sure that what goes there is in their best interests and perhaps not in the interests of governments or businesses or others?

1040

Mr Fung: There are several things. Number one is, Bill 151 requires public meetings and public consultations. As I mentioned, there were 10 public consultation meetings during the month of November alone.

In addition to that, I can tell you that I receive at least three to four requests for meetings every day. I don't think any one person has not had a chance to see me or to see the corporation when they required it. The corporation makes itself available to speak to people as the public wants to come and talk to us. We continually interface with the press. We continually interface with the people. As I mentioned earlier, public consultation is very much a cornerstone of the waterfront's operation.

The Chair: The government side, please.

Mr Marcel Beaubien (Lambton-Kent-Middlesex): Thank you very much for your presentation. In your presentation, Mr Fung, you mention, "The corporation recognizes that accountability and transparency go hand in hand," and then you mention you've retained Charles Dubin with regard to giving you some independent advice. But I also understand that all the powers you were looking for were not incorporated into Bill 151.

How do you feel Bill 151, as it presently stands, will impact on your vision of the waterfront? Should we look at it later on? Should we do some revision? What's the impact as to the way and the manner the bill stands at the moment?

Mr Fung: I think the real issue is that we've got to get on as fast as we can with dealing with the Toronto waterfront. The longer we wait to deal with some of these issues, the farther we fall behind. I'm saying that this is not a Toronto issue. This is much more than a Toronto issue. This is a national issue; it's a provincial issue. We have to remain competitive.

The corporation is prepared to move ahead. As the bill sits, we can work with government. We will work with you to see what other amendments or tinkering we have to do with the bill, but we've got to get on with it. From the corporation's point of view, the bill, as it now sits, allows us to get moving and to try to make sure that we remain competitive.

Mr Beaubien: But one of the concerns that I have—

The Chair: Mr Beaubien, you've only got about three seconds. Liberal caucus?

Mr Monte Kwinter (York Centre): Mr Fung, I want to talk to you about this issue of public observation of meetings of this new board. I used to be the chairman of

the Toronto Harbour Commission. I'm sure you probably know that. We always had availability for the public to come and sit at our meetings. They couldn't participate but they could certainly be there to observe; not only them, but the media. There was never a problem. There are obviously some sensitive issues that have to be done in camera when dealing with personnel or some legal matters but, other than that, people felt they had an opportunity to see what was going on and to know that there was transparency, that there was an ability to observe the process. After all, this is not a private corporation. This is a corporation that represents three levels of government and is funded by the taxpayers. I think there is no reason why they shouldn't be there.

Mr Fung: I understand that quite well. In fact, the first thing the corporation did when the corporation was put in place was to put in place very strong conflict-of-interest policies, very strong operational policies on how we handle these things.

If you look at city council or any other council, land issues are dealt with in camera. It would mean that 99.99% of the corporation's work would have to be dealt with in camera. Because in actual fact the dealings of the corporation are dealing with real estate issues. That's what the corporation was put in place to do. That's what the corporation's business is, and those require dealings in private.

The transparency and accountability issues are dealt with through the policies which the corporation has put in place. They are dealt with through the putting in place of Justice Charles Dubin to oversee and talk to us about these issues. The corporation has a board of directors which is appointed by the governments. The governments have the ability to hold the corporation accountable. The public has the ability to hold the corporation accountable.

The Chair: Thank you, Mr Fung. We appreciate your input. I'm sure you'll get to see the results of this process. We wish you well.

TORONTO ISLAND COMMUNITY ASSOCIATION

The Chair: Our next delegation is the Toronto Island Community Association. Is Barry Lipton here? Welcome, Mr Lipton. Would you be kind enough to state your name for the purposes of Hansard.

Mr Barry Lipton: My name is Barry Lipton. I'm the co-chair of the Toronto Island Community Association. My presentation is going to be short and maybe not so sweet.

The Toronto Waterfront Revitalization Corp has betrayed the trust of the citizens of Toronto and should be disbanded. There should be no more taxpayers' money spent on this travesty.

Mr Robert Fung and the board of the corporation have lost all credibility on all waterfront development issues. On Tuesday, November 26, he released a letter of support for the expansion of the Toronto Island airport and the

building of a bridge. He concluded that the expansion of the airport to handle 600,000 to 900,000 passengers a year would not wreck the \$17-billion waterfront revitalization plan. His conclusions were based on reports paid for by the Toronto Port Authority. Mr Fung's conclusions are suspect, being based on port authority documents.

Toronto city planners have stated passenger levels that are over 600,000 per year would have a severe impact on land use and would turn the promised residential development back to port industrial development. This is a quote from their report:

"Enhancement to 650,000 passengers per year"—that's in the Sypher/Mueller report—"could have a much broader effect on the central waterfront as a whole. It is likely to impact the type of land uses attracted to the area and may result in more industrial or warehouse-type development and less residential development in the port lands."

"Further enhancement to 900,000 passengers per year"—in the REGCO request—"could affect the larger objectives of the central waterfront plan. The expansion could impact the quality of people's enjoyment in the proposed network of new waterfront parks and public spaces. The higher level of environmental standards envisioned for the central waterfront could be undermined, as could the balance of compatible waterfront uses."

An expanded airport would be a betrayal of the promise of waterfront redevelopment. The Toronto Port Authority's plans are in direct conflict with the revitalization of the Toronto waterfront. There is also a conflict of interest of several members of the Toronto Waterfront Revitalization Corp. Murray Chusid, who is a director, is a former director of the Toronto Port Authority; Tony Dionisio, who is a director, is the current business manager of Universal Workers Union, Local 183. This local is one of the most active proponents of the island airport expansion. James Ginou, a director of the Waterfront Revitalization Corporation, is also a director of the Toronto Port Authority.

On November 12, there was a meeting between the Waterfront Revitalization Corporation and representatives of 50,000 waterfront residents and 17,000 boaters, as well as Toronto's environmental and arts communities. The representatives made it clear to Mr Fung that if airport expansion is approved, they want the revitalization project to be terminated. I reiterate that position.

The Chair: Thank you, sir. We have about 12 minutes, four minutes per caucus. We'll begin with the government side.

Mr Beaubien: Thank you very much for your presentation. What do you stand for? Are you for the status quo?

Mr Lipton: No. I would dearly like to see the revitalization corporation carry on its objectives. But with the present developments that are going on at city hall as we sit here, the expansion of Toronto Island airport,

there's no reason to spend taxpayers' money on this corporation. One is the antithesis of the other.

The developments in the port lands, as envisioned in Mr Fung's reports—I went to the charrette, and I was really amazed by the quality of the presentations and the possibilities for those lands. They will be destroyed. I don't see the government of Ontario supporting this kind of development when, in the end, it won't happen. It has to be one development or the other; both can't carry on at the same time.

1050

Mr Beaubien: There are a lot of brownfield sites on the Toronto waterfront. Correct?

Mr Lipton: Right.

Mr Beaubien: How would you propose redeveloping and creating some economic activity and some opportunity for enjoyment—recreational, cultural, whatever? How would you go about it?

Mr Lipton: I would close the airport and then go about developing those sites for the greater enjoyment of all the people of Toronto, plus the economic development that would bring to Toronto.

Mr Beaubien: So your premise would be that before we start anything, the airport has to close?

Mr Lipton: Absolutely.

Mr Beaubien: Thank you very much.

The Chair: Mr Phillips?

Mr Phillips: It's a challenge for us. I think you said that if this were properly structured, constituted and maybe directed, there is a role for a waterfront revitalization group of some sort.

Mr Lipton: Absolutely. The waterfront in Toronto is the greatest undeveloped resource we have. I was in Venice a couple of years ago, and I came in contact with an organization called Cities on Water, Città d'Acqua, an international organization that coordinates information on waterfront redevelopments around the world, not only seaports but lake ports and river developments everywhere. I spent over \$300 on the publications this organization puts out. I brought them home and showed them to several people here. I think we have an amazing potential here.

Mr Phillips: Can you recommend anything to us that would change this bill to a way you would find acceptable? I know your recommendation is to scrap it, but another suggestion would be—can we fix it?

Mr Lipton: Well, Mr Fung has made his position clear. Whatever the conflict of interest rules are, I don't think they're strong enough; that's the first thing. Second, it's got to be an open, transparent process. Those are the things that are really important.

Mr Phillips: I agree, by the way, with both of those.

Mr Lipton: Also, I think there has to be some involvement by the people who are actually involved and living on the waterfront and in the waterfront. There has to be space for them to be active participants, not just observers, in the development of the waterfront.

Mr Phillips: So the three things you said are stronger conflict of interest—I was going to ask Mr Fung whether

anybody on this board did declare a conflict on that decision on the airport, but we only got one question—a transparent public process and involvement by, to use the jargon, stakeholders. Are those the three things?

Mr Lipton: Right.

Mr Phillips: Thank you.

Mr Prue: I have to tell you that I was quite surprised by Mr Fung's pronouncement the other day. Did he consult with the island community or anyone before making that pronouncement, or was it just off the top of his head?

Mr Lipton: I wasn't at the meeting on November 12, but there is now a waterfront community association that encompasses the community associations from the Harbourfront community and Bathurst Quay, all the way over to Gooderham and Worts. All those community associations are coming together as a waterfront community association. There were representatives from most of those organizations, as well as boaters, and they put it very plainly to Mr Fung that they would not support the revitalization corporation if the revitalization corporation supported an expanded airport.

Mr Prue: It appears quite likely that passenger traffic, although it levelled off after September 11 last year, is now rebounding. Projections show that there will be increasing passenger traffic in and out of Toronto. If it doesn't go to the island, where would you suggest is the logical place? I'm asking this in all seriousness. Malton may not be able to accommodate it. I talked to Gerry Meinzer last week, and he's suggesting that there's a move afoot to rebuild Pickering. It's going to have to go somewhere, so would you as a group prefer that it be there? I'm sure somebody from Pickering is going to sit in that same place.

Mr Lipton: No, I wouldn't prefer that it go to Pickering. The type of traffic that is quoted to fly in and out of the Toronto Island airport is short-haul, 800 kilometres or less. That is the most polluting type of travel there is, more polluting than a single person in a vehicle. It's 70 times as polluting as train travel. In Europe and in the United States, fast train travel is the way people are going, and I think that is the real alternative to the Toronto Island airport: a revitalization of rapid rail.

The Chair: Thank you, Mr Lipton. We appreciate your contribution.

Mr Lipton: Could I leave a copy?

The Chair: We would appreciate it. The clerk will take care of it and will distribute copies to the members of the committee.

SHELDON FAIRER

The Chair: Our next presenter is from Designer Fabrics, Mr Sheldon Fairer. Mr Fairer, you have up to 20 minutes, combining your presentation as well as questions if there is any time left over.

Mr Sheldon Fairer: Thank you very much for the opportunity, Mr Chairman. I'm here only as a concerned person.

I have nothing against Mr Fung, but right from the inception—and I concur with Mr Kwinter over here—with Bill 151, there's no accountability, period. Mr Fung loves to make beautiful speeches, presentations, but with no substance. He was quite aware right from the beginning—he was forced by the provincial people, by the federal people, to hold three public meetings. What do we mean by "public meetings" when coming to that conclusion because the knife is at your throat? Two days: how are you going to get people out? Impossible. So a few people show up—lip service. He offers the Golden Gate.

I have no problems with development. My primary objection and concern is development. I have been in Parkdale, in that area, before the Gardiner, since 1949-50. I've seen it up and I've seen it down. My business takes me throughout the world, and I see developments. We have a golden opportunity. It's beautiful. The former Premier, Mike Harris, emulated and he was prepared to beckon. I would not like to see in my lifetime the dispersal of that beautiful waterfront. Whatever happens east of Bathurst, the same thing should happen west of Bathurst. This belongs to the people, for the people, for the future, for my grandchildren.

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I went to the CNE board of governors meetings. You had, from 15 people, 11 against and four for. We can never obtain information on what his intent is—\$7.5 billion here, \$7.5 billion there. Why would I give someone \$7.5 billion if I won't get some remuneration? We cannot squander for a few developers, and I'm one of them, to make a buck. I cannot see it.

Therefore, my reason for being here, and I appeal to you and to everybody: Bill 151 has to be reinforced; there has to be accountability. Never mind that you'll have a meeting. We have today one government, tomorrow another government. Things switch. The people have to be protected.

I would like to see a vision, if I live long enough, that the waterfront should be developed. We have the CNE, we have beautiful buildings. Toronto attracts tourism. Where do you take your children? There's nowhere to go. We have the Gardiner that serves the purpose, going east and west. I get tied up in the traffic for 45 minutes to an hour.

A small country I just came back from in Europe—I go three times a year to Europe or Asia—Belgium can afford to tunnel through the heart of the city. Toronto can't.

We started with the Gardiner at \$3.5 million, \$5 million—now it costs \$75 million. Ten years from today it's going to cost \$200 million and we'll get stuck in the traffic. We have to have an objective, a plan. Redevelop the waterfront for the people. Don't rip it until you have a plan. It'll take 10 or 15 years—a future, a plan. Protect it with accountability and the people will be grateful and my grandchildren will have somewhere to go. Right now, we don't know.

I promise you, Mr Fung gave me a handshake that he'll see me. I'm waiting for two and a half years. Mel Lastman was supposed to show up in the office—he developed a cold. My member of Parliament was insulted. I have money. I don't have to be here. Money doesn't mean a thing. I'm bigger than everybody else.

No, Bill 151 accountability, whether he likes it or not, whether it's this member or another member, please have mercy on yourself and on behalf of the people, protect; don't create the same mess that we have east of Bathurst.

I had a condominium. I sold it, I made a buck, but I couldn't invite people over to visit me. There was no parking. There's nothing over there; a jungle.

I go out to Vancouver. What happened over there—beautiful buildings over there. The waterfront is gone. I have a little bit of walking space.

Please, ladies and gentlemen, you are elected representatives. You have the opportunity to protect us and I appeal to you.

The Chair: Thank you, Mr Fainer. That leaves us a few minutes each, beginning with the Liberal caucus.

Mr Phillips: I'll kick it off. In the next few days we're going to have to deal with the piece of legislation. Do you have any specific recommendations for us on what you think should or should not be in the legislation?

Mr Fainer: The legislation should be very simple: accountability. Do not allow—one site, I hear, 8,000 condominiums on the CNE, 12,000 condominiums. We have to have legislation to protect that vital piece of land for the future. North of the Gardiner, if one day it is ripped down, you don't have a chance—if the CNE owns the land, CP—I mean, it's got to be redeveloped. He has beautiful ideas. I have no problem with whatever he does with the marshlands, but I want to know: what are we going to do with that piece of land west of Bathurst up to Etobicoke? Protect it. Tunnel underneath it. What it will take—five years, 10 years, 50 years. Right now you are spending \$75 million to upkeep the Gardiner. Five years from today it'll cost you \$125 million—my money, your money and everybody who gets stuck in that traffic. I have ideas. Mr Fung is quite aware, but he's ignoring me and a number of us. We are willing to talk to him, to sit down and discuss it intelligently. I could go ahead and maybe I'll buy a piece of land, put something up and I'll make a nice dollar. I would like to see a 10-year hold.

The late John F. Kennedy passed a bill that the waterfront belongs to the people, by the people. Mike Harris was prepared, and Bob Runciman was happy about it. The present Premier is happy about it. He would like to see it. But everybody is hiding. We will develop it. How are we going to develop it? In the middle then they will commit us and we are stuck, like the Dome.

Mr Phillips: Thank you very much.

The Chair: Mr Kwinter, quickly.

Mr Kwinter: I really appreciate your comments. I'm just circulating to members of this committee a letter that appeared on May 17, 1983, which is a long time ago, 20 years ago, in which I made exactly the points you're making. I think the waterfront is an incredible resource

and it's got to be handled properly. That doesn't mean there's no development, but you're absolutely right: there's a concrete curtain that has knocked off the waterfront to a lot of people. I just want to commend you for your comments.

Mr Fainer: Thank you. But you have to have a vision, a plan. In legislation in Norway it's taboo, it's holy, cannot be touched. Never mind the OMB's going to overrule us. You are representatives of the people, for the people. You pass the legislation and this is law. Whether we develop it today or 10 years or 20 years from today, the rest proceed. You have the railroads. You know as well as I do that the CP and CN will make mincemeat out of us. I don't have a chance to hire the attorneys to fight them.

The Chair: Thank you, sir. We go to the NDP.

Mr Prue: I just want to be clear that I'm getting the gist. You are a businessman, but you seem to be speaking against large corporations and the amounts of money they potentially might make out of this, and you want safeguards. Is that a fair synopsis?

Mr Fainer: I make money and I pay my taxes, but as a way to live within justice; in other words, share the wealth. But the thing is, I'm not saying I'm going to go out and take a \$100 bill and split it in four or five pieces. I have a tangible asset. What do I do with it? The asset is the most precious piece of land for future generations, period. Of course I like to make a dollar, but there's a limit somehow. The guy from Microsoft gives away beautiful billions of dollars to charity. We have a guy over there who gives to a different thing. This over here is holy, period. It's untouchable. I don't care whether it's Mr Chrétien, Ernie Eves or Mel Lastman.

We have to put our heads together. I just came back home from France and Italy. I see congested areas, and I go from my place down to the exhibition where I go in 10 or 15 minutes underground, lit up. We live in a climate—albeit in the wintertime it snows, it rains. I get stuck. Sometimes it takes me, from my house—I live in the York Mills and Don Mills area. It takes me 50 minutes to get out, sometimes an hour and 25 minutes. I burn more gas. So Mr Fung or somebody else is going to say, "How are we going to go ahead and spend the money? Where are we going to get the money?" I would be very happy to submit to you gentlemen—some of you will like it; some wouldn't like it. I kicked it around with high-echelon politicians. That's feasible, very simple. If there's a will, there's a way to do it, but it's got to be done on behalf of the people, and the people need a place to go.

My grandchildren live in Florida right now. They come over here. Where do I take them over here? At one time, they had a vision for the CBC: they were going to put in a seaquarium. We have a waterfront. Why don't you put it there?

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If I had another life, instead of being in my business, I would become a consultant.

The Chair: Are there any other questions?

Mr Prue: At the risk, I'm going to ask it. Mr Fung and his group, the city of Toronto, various charrettes and hundreds of planners and people have given visions of the waterfront: everything from housing to exciting places to play to waterfront revitalization of the beach and the Don River Valley. Are you opposed to anything that was contained in that plan?

Mr Fainer: I have no problems with Mr Fung. It's a beautiful vision. He's an excellent man. I'm a devil's advocate over here.

Mr Prue: I still don't understand your problem. I don't understand what you're trying to tell us. I have to be blunt.

Mr Fainer: I want to protect—and I'm making it very simple. I'm making it loud and clear. Right now, you have a situation. You have a development east of Bathurst. Do you like it? I don't. I have open land over here west of Bathurst, down to Etobicoke. It's open prey. I don't want to see condominiums blocking off that land, period.

Mr Prue: OK. I understand that perfectly.

Mr Fainer: Did I make myself clear?

The Chair: We go to the government side. Are there any questions from the government side?

Mr Sampson: I take it that you're frustrated you can't get that point across. So let me just ask you a couple of questions for a second. I take it from your title here, Mr Fainer, that you're president of a reasonably successful company.

Mr Fainer: Correct.

Mr Sampson: And you've done that by making more successful deals than bad ones. That's kind of the way it works.

Mr Fainer: I've had some bad ones too, don't get me wrong—from my business, real estate and the stock market.

Mr Sampson: Yes. So you're accountable to your shareholders. I'm assuming that's you and your family generations and whatever. I'll just make—

Mr Fainer: And to 43 people. I employ 43 people for 12 months of the year and they make a wonderful living.

Mr Sampson: So how are you accountable to the people who are looking for you to be successful? I'm asking that question because I think—

Mr Fainer: I will be very happy to answer you. If you ask me or you ask my community, I am open, I help people and I'm available, whether it's 999, St Joseph's Hospital, the police department, the street people or the winos. I ask myself, why do I need it? I need it like a hole in my head. I treat my people humanely. I make sure that they make a wonderful living and they pay taxes, not collect welfare. I'm a human being. I came to this country with 10 bucks. I pay more money than any big corporation—period. I'm accessible, whether it's 14 Division or 11 or 52. If they have a problem with a person, whether it's 12 o'clock, 11 o'clock, I'm available. I go down to a person on the street and I say, "I won't give you a bottle of booze, but I'll pay for your

meal if you'll eat a steak or whatever you want. I'll pay for it."

Mr Sampson: You said the word "accountability" a couple of times in your presentation.

Mr Fainer: That's right.

Mr Sampson: We're all struggling with how to make this corporation accountable. We need some advice from you on how to do that.

Mr Fainer: I'll try to the best of my ability to answer. A public corporation has shareholders, and you know what happened in the last six or seven months with Enron and so forth. In a private corporation, you're accountable to yourself and to your employees. For a business to flourish—if you come into my place, you could observe it. If you think you're fooling a customer, you're not fooling a customer, you are fooling yourself. I believe in making a legitimate profit, but I'm not too greedy. That's why without advertisement I produce more than The Bay or Wal-Mart per square foot. It's very simple: you treat people humanely, you are being reasonable, and it pays off.

Mr Beaubien: Mr Chair, have we got time?

The Chair: Yes. One last question.

Mr Beaubien: Thank you very much for your presentation this morning. You were in the audience when the previous presenter mentioned that the short-distance flight from the airport pollutes the air 70 times more than cars do. He talked about public transportation and the train. You keep referring to Europe, and I agree with you. I was in Lucerne in June of this year, and you're absolutely right: you can get on a train and go anywhere because they do have the love of the train. They embarked on public transportation 100 years ago.

In North America, we're still in love with the car, and the distance that we have to travel between point A and point B—I live in southwestern Ontario. There's one train that leaves at 6 o'clock in the morning to come to Toronto and there's one train that comes back, in my community, at 10 o'clock at night. That is not good, reliable public transportation.

You talk about maintaining the waterfront open to the public. I agree with you, but you cannot just have it the way it is right now. So how did you combine the public transportation aspect, the pollution aspect that other people are talking about, the accountability aspect, in doing something with the waterfront that is economically viable, that would be embraced by the public at large? How would you do that?

Mr Fainer: Very simply. If you go now to Brussels or you go to Paris or you go to Milan, you see the congestion over there, the cars—the same thing. But you have a choice. You have to have public transportation. David Collenette promised you're going to have the train from Union Station down to the airport. In the meantime, lip service. You have to have public transportation. You are not going to eliminate—if you see today, on the Gardiner, 48,000 vehicles, in 10 years you're going to have 60,000. You're not going to eliminate that. I don't

follow Mr Jack Layton's ideas that you're going to make Toronto closed, with cars parked outside—you can't.

This is a vital city. You have to have one-way streets. I am not an engineer. First, you have to have public trains. You go up from Brussels to—I forgot the name, a little town; I spent five days there only a month and a half ago. Then, from there, after one hour and five minutes, I was in Paris by train. It's costly. I paid 65 Euros per person. But you have to have public transportation. We should have a train to the airport. We should have never built a subway—Mel Lastman with his brilliant ideas—on Sheppard Avenue. Queen Street was, if you studied history, supposed to have a subway 50 years ago, 40 years ago. We built it on Bloor Street; no problem. Esther Shiner had a vision to go through with the Spadina Expressway; we stopped on Eglinton Avenue. She's gone, and the Don Valley is packed. Bob Rae started, Mike Harris finished it, and they chastised them. They built over, widened, the Don Valley going north. We need a highway to come down south.

The Chair: Please try to wrap up, Mr Fainer.

Mr Fainer: I'm answering the questions. I was finished.

We don't have a future vision. I'll just finish this in two seconds. This reminds me of a story. I once in my area wanted to develop a police department and we wanted it in a certain area. I did not succeed and the police were on Queen Street. We moved it down near Dundas, and Jim Clark came over to me and said, "Sheldon, we are not going to win. We are going to put up a 14 at the CNE. We're providing band-aid service." What do we have right now? We have a little mini-station over there, no police visibility on the street. The CNE, they get busy, they pull the division from 14 division and the whole community is in chaos.

The problem is we don't sit down and say to ourselves that in 20 years, never mind one, two, three—we've got to develop it. There's no Olympics right now. They should have gone for the World's Fair instead of the Olympics; they would have succeeded.

The Chair: Thank you, Mr Fainer.

Mr Fainer: Period. No vision.

The Chair: Thank you, sir. We appreciate your input.

Mr Fainer: You're welcome.

The Chair: Have a good day, sir.

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CITY OF TORONTO

The Chair: Our next presenter is city of Toronto, represented by Mayor Mel Lastman. Mr Lastman, please come forward. If you'd be kind enough, Mr Mayor, to state your name for the record from the beginning. There are 20 minutes. If there is any time left over from your presentation then we will ask questions of you, sir. Thank you, and welcome.

Mr Mel Lastman: Thank you very much, Mr Chairman, and members of the committee. Thank you for this opportunity to speak. Sheldon offered free steaks—I

don't know where to go to get them—and some guy, when I walked in, offered me an egg and he said, "Any time you have a problem just squeeze on it and you'll relax." So I'm squeezing on it.

I am accompanied today by the chair of the Toronto Waterfront Reference Group, Councillor Joe Pantalone, and Paula Dill, commissioner of urban development, and the chief of staff for my office, Alan Slobodsky.

Mr Chairman, the city hasn't actually seen the amendment packages that we hope you're going to introduce. I hope there will be no surprises above that, but we have been told that the revised legislation will contain. However, I am speaking to those revisions in good faith.

Councillor Pantalone and I are here to lend the support of the city of Toronto to the adoption of Bill 151 and the creation of a permanent Toronto Waterfront Revitalization Corp. I know a lot of people have been talking about this for years, but now it's happening because we have all three levels of government working together, and when we get three levels of government working together we can really make things happen. I hope we're all here to make sure that happens here at this meeting. Since the introduction of Bill 151 last December, all three levels of government have been working together to ensure the legislation reflects their respective interests and concerns.

The legislation before you, together with the amendment package, achieves that and demonstrates once again that when all three levels of government work together, I will repeat, we can make the most wonderful things in the world happen. This waterfront will be a 46-kilometre waterfront. It'll be a meeting place for the world. I have seen waterfronts, as I'm sure many of you have, and they're nothing compared to what we are talking about.

The revitalization of Toronto's waterfront is crucial for the future of our city, our province and our nation, and we can't allow Canada to fall behind the rest of the world. First, I want to highlight changes which are vital to the city of Toronto. We strongly endorse an amendment to the legislation which recognizes the city's planning authority in the central waterfront. This makes it clear that the revitalization corporation will be guided by the city of Toronto's official plan and central waterfront secondary plan. It also reinforces the commitment that all three governments made at the beginning of this process to retain our respective policy powers.

Second, the city of Toronto urges the province to recognize the need to make key waterfront decisions jointly rather than by provincial regulation.

The waterfront project is a tri-government project. Accordingly, having these decisions subject to the consent of the three government partners is clearly a preferred means of decision-making.

Third, the revised legislation ought to contain a requirement that the corporation's annual business plan be approved by all three governments. Given the importance of the business plan in setting out the corporation's prospective expenditures and revenues, government approval is most certainly desirable and financially prudent.

A fourth area of equal importance is the definition of the designated waterfront area, either in the legislation itself or through provincial regulation. It is of the utmost importance that while the focus of the corporation's activities is in the central waterfront, there also be the opportunity for the corporation to undertake select strategic projects along the 46-kilometre Toronto waterfront. These projects are expected to be few in number and will be clearly defined. They will be selected on the basis of their ability to complement revitalization efforts in the central waterfront area.

A final amendment to the legislation which I urge your committee to endorse is the provision for a review of the legislation once it has been in effect for one year. Given that we are navigating new waters, it is prudent that we reserve the opportunity to revisit the legislation and fine-tune it, if necessary.

I would be remiss if I didn't mention one final concern. The legislation does not require the corporation's board to conduct its regular business meetings in an open manner. While we appreciate that many of the matters the board will be dealing with concern real estate and are therefore sensitive, this has to be balanced with the public's desire for transparency and accountability. Hopefully, the necessary transparency will be achieved through public consultation and the annual release of the corporation's business plan.

The passage of Bill 151 to provide for the Toronto Waterfront Revitalization Corporation Act, Mr Chairman, signals another critical milestone in turning out waterfront vision into reality. All three governments have demonstrated their unwavering support for this initiative. Now we have to give the corporation the means to achieve success.

The legislation, with the necessary amendments, will provide a balance between the needs of the corporation to do the job we're mandating them to do while making sure that the government partners are accountable as the project unfolds.

On behalf of Toronto city council, I want to thank you for this opportunity to address you. These is my submission, Mr Chairman. Now I'd like to introduce Councillor Joe Pantalone.

Mr Joe Pantalone: Thank you, Mr Mayor. Mr Chairman and members of the committee, it's a pleasure to be here before you today.

I'm here as chair of the city of Toronto's Waterfront Reference Group, which is the committee set up by Toronto city council to act as the coordinating body for all the waterfront revitalization initiatives within the city of Toronto. It's our job to ensure that all the various agencies, boards, commissions and departments speak with one voice in a way to help the process as opposed to hindering it.

The members of city council have taken a very active interest in ensuring that the legislation reflects the wishes of the Toronto community and the community's expectations. As the mayor mentioned, to a large degree, the city is pleased with the amendments which have

resulted from the government partners' review of the original legislation. Just to reinforce what the mayor has indicated, we are appearing here in good faith without having had the opportunity to review the amendment package which is going to be tabled before you but which we gather is prepared.

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We've been assured that everything we understood to be in the amendment package will be before you. Good faith, let me remind all of us, is what all the government partners will have to continue to display as we embark on this ambitious, complex process which will ultimately be a rewarding initiative for Toronto, Ontario and Canada.

There are two significant concerns, which I think the mayor touched upon, with the proposed legislation that Toronto city council has directed us to bring to your attention. I should tell you that these concerns were before council yesterday and received unanimous approval as it will be relayed to you. So it's a unanimous position of council regardless of political or other orientation.

The first concern is that the proposed legislation does not require that meetings of the board of directors of the Toronto Waterfront Revitalization Corp be open to the public. The city's position is that the corporation should be governed by the same rules regarding open meetings as apply to all municipalities across Ontario as well as the various agencies, boards and commissions of those municipalities.

There is a vast level of public interest, as you know, in what happens in Toronto's waterfront, which affects all of us. The corporation will be making decisions that have a tremendous impact on the future of Toronto as Canada's largest city, Toronto as the capital of Ontario and, indeed, Toronto as a city in its own right. Therefore the public should be permitted to attend meetings of the board of directors.

Of course, certain discussions relating to property acquisitions, business negotiations, real estate and personnel would be very sensitive. However, this is not something which is unique to this corporation or anybody else. Municipalities and the various boards deal with that all the time, while at the same time achieving open meetings. In these circumstances, the Municipal Act allows these types of matters to be dealt with in camera, as they should be.

We have various agencies in Toronto, such as Exhibition Place, which has built a \$180-million trade centre; the Toronto Transit Commission, which awards contracts in the multi-millions of dollars; and the police services board, which obviously deals with sensitive issues. These are governed by the Municipal Act in such matters and still are able to provide open meetings. We feel that the same rules should apply to the Toronto Waterfront Revitalization Corp. Indeed, I would suggest that the degree of public interest in the activities of the corporation is such that it's demanded, if you will, by the general public.

The second issue which council wants to point out is conflict of interest. Council's position going into the

discussions with the government partners at the provincial and federal levels was that the members of the corporation should be subject to the same conflict-of-interest legislation as applies to elected officials and local board members. It is vitally important, as all who are in public know, that the board of directors not only conduct themselves but also be seen to conduct themselves with the utmost degree of integrity.

The Municipal Conflict of Interest Act, which we suggest is the one that should apply, as opposed to the Ontario Business Corporations Act, that has been suggested, is more stringent in such matters. For example, the definition of an interest that could arise as a conflict of interest is somewhat broader. Second, the ability of an interested member to discuss the matter, even on an informal business, is more restricted. Third, whenever the matter is discussed in camera, the interested member, under the municipal conflict-of-interest legislation, has to leave; they cannot be present. Fourth and most important, the possible consequences for a member who contravenes the Municipal Conflict of Interest Act are significantly more onerous than those under the Ontario Business Corporations Act.

Nobody is suggesting that anybody will do anything wrong. But as we all know, justice must not only be done but has to be seen to be done. We suggest that the Municipal Conflict of Interest Act does that better.

As I indicated, the Municipal Conflict of Interest Act already applies well to all municipalities in the province and their local boards. It seems to be working very well. Given the tremendous civic importance of the activities of the waterfront corporation, that will give extra confidence to the general public and everybody involved.

In conclusion, I think all three governments have had to bend a little as we move the legislation forward, and the legislation has to be moved forward, and the city has been very active in the process, under the leadership of the mayor. The government partners have demonstrated a strong commitment to having this historic initiative proceed and not be delayed. We think it's extremely important that it be approved as soon as soon as possible. We hope you will look at our two remaining concerns, other than those concerns which we believe have been addressed in the amendments, which we haven't seen but are told are satisfactory, so that the public's confidence and trust in the revitalization initiative is maintained and enhanced.

Given that the holiday season is approaching, the city of Toronto is looking forward to this Christmas or holiday present. We thank you for that.

The Chair: Thank you, gentlemen. We have just over a minute for each caucus. We'll begin the rotation with the NDP.

Mr Prue: Thank you very much. It's good to see you guys here on my turf for a change.

I commend the city of Toronto on the positions you've taken on the requirement for public access to meetings and also on municipal conflict of interest, because it is a very powerful tool. However, one of the previous

speakers from the Toronto Board of Trade felt it was not advisable and has advised the committee not to give that kind of public access. As she put it, the mess Toronto has found itself in is from being too open and too public. I didn't share that view, but I wonder if you might comment on whether you're aware of Toronto Board of Trade position and why your route would be preferable.

Mr Pantalone: We understand the board of trade's position; it's basically one of caring. However, our experience in Toronto has been that checks and balances achieve the goal better.

An example I'm very familiar with is Exhibition Place. In 1997 we completed the \$180-million National Trade Centre facility under the Ontario infrastructure works program. It was extremely well received by the business community, the heritage community and just by people who love the building, and it functions well. That's one example where we were guided by checks and balances, a board having to go every three months to the general public in public meetings, as the board meetings were, and hear representations. Its powers were not absolute like, I guess, the board of trade is suggesting is essential, and yet we delivered a product that was on schedule, on budget and that received accolades from everybody.

We like to suggest that the fact we had to go to the community and hear what people had to say—that our meetings were public, and we did not have absolute power—led to information filtering out, which led to better information filtering in, which led to this product. There were a lot of fears about it. It was a mega-project in a very sensitive area, Exhibition Place, the home of the CNE, the Royal Agricultural Winter Fair and so forth. That led to a better product.

Their fears are, in our opinion, not well founded, even though we understand what they're saying. By the way, the waterfront reference group has been very helpful in the sense of moving things along. There have been absolutely no delays to date, and we don't expect any.

The Chair: We'll move to the government side.

Mr Beaubien: Thank you very much for your presentation. I agree with you when you mention that the three levels of government have worked together, but I also think the three levels of government are working together with regard to the amendments to Bill 151. To say you may not be aware of them—I think there is some communication between the three levels of government.

It's nice to talk about accountability and transparency in the type of developments we want to see on the waterfront. My question to you is, how is this proposed development going to fit with your present official plan for the city of Toronto?

Mr Pantalone: In past year, I was on the city's planning and transportation committee; therefore, I'm equipped to answer the question.

It fits perfectly. As a matter of fact, the central waterfront secondary plan, in its revised form, which is going to city council on its February 4 meeting, has the complete support of the waterfront corporation as well as

the city's planning department. As a matter of fact, it was changed so the two sides were completely happy with it. It fits perfectly.

Mr Beaubien: So your official plan is compatible with what you're proposing on the waterfront?

Mr Pantalone: Absolutely. One hundred per cent.

The Chair: We'll move to the official opposition.

1140

Mr Phillips: This will be passed literally a year to the day it was introduced. It was introduced December 11 last year and it will be passed. At the time it was introduced, we expressed the two concerns you've expressed, that is, that this was done behind closed doors in private meetings, and the conflict of interest. Mr Fung today indicated that the commission's not particularly interested in the meetings being public.

My question to you is this: if we're unable to get the amendments passed that would make the meetings public and we're unable to get the changes in the conflict of interest, do you think we should still pass the bill?

Mr Pantalone: In our opinion, the amendments we're suggesting will ensure that the waterfront corporation and the waterfront revitalization will not only achieve success but will be seen to achieve success. In our opinion, for the waterfront to go ahead, the legislation has to be passed, but we would hope that we achieve 100% of what we're trying to achieve rather than two thirds that we wish to—

Mr Phillips: But if the meetings are still private and the conflict of interest isn't strengthened, it's the council's position that the bill should still go ahead?

Mr Pantalone: We want the waterfront bill to be passed, absolutely. However, we are confident that you will include our two amendments.

Mr Lastman: We hope you will include our amendments, but we want it passed.

The Chair: Thank you, Mr Mayor and Mr Pantalone. We appreciate it. Do both you gentlemen have a copy of your presentations that we could distribute to everyone?

Mr Lastman: Yes.

The Chair: We appreciate that. Thank you very much for your presentation today.

FRIENDS OF THE LOWER DONLANDS

The Chair: Our final presentation is from the Friends of the Lower Donlands, Dalton Shipway. Mr Shipway, if you'd maybe hold on for half a moment—

Mr Dalton Shipway: I'll just take a minute—

The Chair: To load your slides? Go ahead, sir.

Mr Shipway: In just a minute. The clerk is finding someone with more tech ability than I to get the slide projector going.

The Chair: OK. We have our technician.

Mr Shipway: If I could approach the Chair, as they say—

The Chair: Actually, the clerk will take it from you, sir. I'm going to ask you to go ahead, because we're running into a time constraint here. I'm also warning Mr

Shipway that if the bells ring in the Legislature, we will be suspending the committee; however, once that vote takes place, we will be in a position to return to hear the completion of your presentation.

Mr Shipway: I understand that, Chair.

The Chair: I would ask you to go ahead. If the technician gets it fixed, fine. Otherwise, you'll have to go with what you have, sir. Please state your name from the beginning so Hansard is clear who's speaking.

Mr Shipway: My name is Dalton Shipway. I was born in Toronto. My family has been in the east end for about six generations. My mom grew up on Degraisi Street, the same street that Charles Sauriol lived on, the patron saint of the Don.

I've been working on the Don River for 18 years with no pay. I'm the fellow who started the Task Force to Bring Back the Don. When we started, there were four watershed groups. Now there are 29. The *raison d'être* for this is that around the world there are five major problems affecting the biosphere and the ecosystem: forestry, ocean fisheries, loss of biodiversity, agriculture and cities. If you think of cities, it's helpful to think of urban drainage or the watersheds that cities occupy. If you think globally and act locally, it's good to focus on a local issue and get some action because that sets up a ripple effect. Of all the water on the planet, only 3% is fresh, and of that, 90% is locked up in the ice caps. There is relatively little available fresh water, so urban rivers are an extremely important issue. They must remain whole ecosystems, biologically and environmentally. They cannot be severed.

I've come today in support of Bill 151. However, I would like the city to exempt green wildlife corridors, present and potential areas of ecological significance, and open space. I'll pass these around for the record.

This is a press conference I had in 1987 at the Keating Channel, which is the most degraded part of the most degraded river in Canada. Now there's all this excitement about a renewed marsh at the mouth of the river; indeed, it's one of the four start-up projects for waterfront revitalization. My concern is that the waterfront corporation is not the body to do the planning for ecosystem revitalization. The city is the body. I think jurisdiction should be clearly in the city's hands. I have a lot of confidence that we will do the most progressive ecosystem planning possible.

1150

This is a shot from an airplane looking north through the centre of the port lands. You'll see the Bloor Viaduct up in the background. The river comes down just under the elevated Gardiner there and makes a sharp right-angle turn, totally concrete, into the Toronto Bay. That body in the middle is the ship channel, and then this is where the small boat clubs are down at Cherry Beach and Clark Beach.

For discussion purposes, this shows a wildlife corridor and an aquatic link from the Keating Channel down to the lake. It's a computer-enhanced image. I found it very useful, and I've shown it to city council and David

Crombie and other people. They say, "Wow. That helps explain what you're getting at, rather than a lot of words." It's not perfect. A flood engineer will say, "There's a problem with that," or the botanists and biologists will say, "There's a problem with that." But it stimulates a lot of discussion. This is almost an antique now; it's six or seven years old.

Oops. That's another shot, just a little more close up—it's on its side—but it shows you the possibilities of introducing a water feature into the area.

So I'm asking that you support Bill 151. By the way, I support what Joe Pantalone and the mayor said about open public meetings. I think the public is now a participant in a triangle, with citizens at one apex, the politicians at another, and the bureaucracy or staff at the other. It makes for a better result, particularly with the environment, if the community is involved.

I would say that green and wildlife corridors need sophisticated attention, and the city is the one to do that. I don't know if "exempt" is the proper word, but I would like to exempt green and wildlife corridors, present and potential areas of ecological significance, and open space from Bill 151.

I'll pass these around, if I could.

The Chair: Is that your presentation, sir?

Mr Shipway: That's my presentation.

The Chair: Thank you. We have barely a couple of minutes per caucus, beginning with the government.

Mr Sampson: Thank you for your presentation. It seems to me that what you're suggesting, not that I'm any expert on municipal stuff, all goes through the discussion and the creation of an official plan.

Mr Shipway: Well, what I've passed around with the article 1 and 1(a) is the secondary plan. We've got the official plan, and now we're getting down to some details. The secondary plan for the central waterfront mentions prominently this Don greenway through the port lands. It's just one of a whole bunch of green corridors that are required right across the whole waterfront. I would mention that Garrison Creek, Taddle Creek and the other rivers need to be biologically connected from the Oak Ridges moraine down. The vision is to see a deer come down from the Oak Ridges moraine to Cherry Beach and have a drink of water and maybe go out to the Leslie Spit. There's wildlife going through there now. The coyotes have moved through and they're denning out on the spit, and there are all the other critters still down there.

But if we're really visionary, I think we will provide for a wide enough functioning ecological corridor through this area particularly; that's the missing link. The system's almost dead. We've had attempts to have big-box retail outlets plopped right in the middle of that, and the community said, "We don't agree with that." There was another one over at Cherry Beach and Lakeshore. It finally went to the OMB, and surprisingly the OMB said, "That's not an appropriate land use on the water's edge, what with all the waterfront revitalization."

Mr Sampson: So your point, just to interject, is that you want the corporation bound by those local decisions, if you will?

Mr Shipway: If that's the phrasing you want to use. I have a lot of confidence in some of the staff at the city to be able to implement ecological planning methods. I don't want anything to preclude the green linkage from the valley down to the lake. I don't want some other planning exercise to put a big-box retail outlet right in the middle of it with an 1,800-car parking lot or something.

The Chair: For the official opposition, Mr Phillips.

Mr Phillips: Thank you for your work. You just mentioned a deer. I was walking the Rouge on Saturday and there was a deer, in the middle of the day, walking by me.

For our party, this is going to boil down to two remaining issues. One is whether these meetings are open to the public or not, and the strength of the conflict-of-interest guidelines. I think there's broad support for proceeding with the waterfront. If, in the end, the bill does not require public meetings for the waterfront group, would you still be in favour of the Legislature passing the legislation?

Mr Shipway: I would not be in favour of that. I don't want to disagree with Joe Pantalone and the mayor, but I did some research through Councillor Walker's office and the real estate department of the city of Toronto, and over 80% of that land down there is publicly owned land. When the mayor initiated this tripartite agreement, there wasn't one dollar from the city put into the pot; it was public land. I don't think the waterfront corporation should have all that land at zero cost, because the public has a lot of interest in passive recreation and wildlife and parks and all those other things. I think the real visionary stuff is coming from the community, about a green water's edge and ecological corridors and so on. So I would be reluctant to turn all that public land over without some kind of controls, and one of the controls is public involvement to keep an eye on what's going on.

Mr Prue: Mr Shipway, I thank you for your thoughts. To tell you the honest truth, although I was with the city of Toronto as a councillor before coming here, I had never really given much thought to who would operate the green space. I have to tell you, I took it as a given from the beginning—and maybe I'm mistaken—that the public lands portion and the parks and green space would be run by the city or by something akin to a conservation authority.

Mr Shipway: I don't think we can assume that.

Mr Prue: No, and I thank you, therefore, for your comments because I think that it needs to be made clear somewhere in the record. I would have to put that it would be illogical that if a mixture of public and private corporations are going to be managing the waterfront, the private corporations would manage those sections which are for the public. It just seems illogical, and I hope nobody is planning that. I don't know whether it needs to be in the legislation but it surely needs to be stated on the record. I promise you, when this comes back, I will speak

to that in the House and make sure that is put on the record, because it's illogical that it be done any other way.

Mr Shipway: I have to trust that there's some guarantee that green and wildlife corridors, open space and areas of ecological significance will be protected and not paved over or with buildings put on top. I'm not sure, when I walk out of this door, how much assurance I have that that will not happen.

The Chair: Well, your input to the committee, sir, is taken into consideration by the committee as it moves forward in its clause-by-clause deliberations, and any ideas are brought forward to the committee for the purposes of amendments to the bill.

Mr Shipway: OK.

The Chair: That concludes your presentation. Thank you. We appreciate it, Mr Shipway.

SUBCOMMITTEE REPORT

The Chair: The last item on the agenda is for the committee to adopt the report of the subcommittee. I would ask that someone move and read that into the record.

Mr Kwinter: I just have to find it.

The Chair: OK. While we're doing that, I'm going to ask if each of the parties, after the vote, would have their subcommittee member come back here for a couple of minutes for a few items that we have to address. All we need is about five minutes or so.

Mr Kwinter: Standing committee on finance and economic affairs subcommittee on committee business, report of the subcommittee:

Your subcommittee on committee business met on Tuesday, November 26, 2002, and recommends the following with respect to pre-budget consultations:

(1) That the Minister of Finance be invited to appear before the committee on Monday, January 27, 2003, from 9 to 10 am to make a presentation and answer questions from the three parties.

(2) That the staff from the Ministry of Finance be invited to appear before the committee on Monday, January 27, 2003, from 10 am to 12 noon to make a presentation and answer questions from the three parties.

(3) That the Chair should forward to the three House leaders, as soon as possible, the committee's request to meet during the upcoming recess. Specifically, the committee would like to meet from January 27 to January 30, 2003, and from February 3 to February 6, 2003, and on February 20, 2003, for report writing.

(4) That the committee will meet from 9 am to 12 noon and from 1 pm to 4 pm.

(5) That the committee intends to travel to London, Ottawa, Sudbury and Thunder Bay.

(6) That an advertisement will be placed for one day in a major paper of each of the cities to which the committee intends to travel. Advertisements will be placed in both English and French papers, if possible. An advertisement will also be placed on the Ontario parliamentary channel and on the Internet.

(7) That each party will provide the clerk with a prioritized list of four expert witnesses by 5 pm, Thursday, January 9, 2003. The clerk will attempt to schedule the two highest-priority witnesses from each list.

(8) That interested people who wish to be considered to make an oral presentation should contact the committee clerk by 5 pm, Thursday, January 16, 2003.

(9) That on Friday, January 17, 2003, the clerk will supply each of the three parties with a list of all the potential witnesses who have requested to appear before the committee.

(10) That the prioritized lists shall be provided to the clerk by the three parties by 12 noon on Monday, January 20, 2003, and that the clerk shall be authorized to schedule witnesses from these lists. Each party is entitled to select the same number of witnesses.

(11) That if all deputants can be scheduled in a given location, the clerk can proceed to schedule all interested parties and groups, and therefore, no party list is required for that location.

(12) That expert witnesses will be offered 60 minutes to make a presentation, groups will be offered 20 minutes, and individuals 10 minutes.

(13) That three expert witnesses be scheduled on Monday, January 27, 2003, from 1 pm to 4 pm, and the other three expert witnesses on Tuesday, January 28, 2003, from 9 am to 12 noon.

(14) That the deadline for written submissions be Thursday, February 6, 2003, at 5 pm.

(15) That the research officer will provide a summary of the presentations to the committee members on the week of February 10, 2003.

(16) That the research officer will provide a draft report to the committee members by 12 noon on Monday, February 17, 2003.

(17) That the committee will meet on Thursday, February 20, 2003, for report writing.

(18) That the deadline for dissenting opinions, if any, be Tuesday, February 25, 2003, at 5 pm.

I so move.

The Chair: Commendable. Is it the wish of the committee that the subcommittee report be accepted and adopted? Thank you.

I remind you of the subcommittee meeting as soon as the vote is concluded. We adjourn.

The committee adjourned at 1203.

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Official Report of Debates (Hansard)

Wednesday 4 December 2002

Journal des débats (Hansard)

Mercredi 4 décembre 2002

**Standing committee on
finance and economic affairs**

**Comité permanent des finances
et des affaires économiques**

**Consumer Protection Statute Law
Amendment Act, 2002**

**Loi de 2002 modifiant des lois
en ce qui concerne
la protection du consommateur**



Chair: Joseph Spina
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Wednesday 4 December 2002

Mercredi 4 décembre 2002

The committee met at 1006 in room 228.

SUBCOMMITTEE REPORT

The Chair (Mr Joe Spina): This meeting of the standing committee on finance and economic affairs will come to order. Could I remind folks that we are sitting from 10 until 12, and then we'll resume at orders of the day, presumably at 3:30. However, this bill has been time-allocated to 4 pm, so at 4 pm there will no longer be any debate but strictly votes on whatever business is left over from the bill.

We have a number of amendments, so this is going to be a busy and full day, folks. We will begin, and I'll ask for the adoption of the sub-committee report. Mr Kwinter?

Mr Monte Kwinter (York Centre): Yes.

The Chair: Thank you, sir. You did such a sterling job last week that we've asked you to do it again.

Mr Rob Sampson (Mississauga Centre): Is that an insult? Did you call him Sterling?

The Chair: No. It's a sterling job.

Mr Kwinter: This is the report of the subcommittee of the standing committee on finance and economic affairs on committee business.

Your subcommittee met on Thursday, November 28, 2002, to consider the method of proceeding on Bill 180, An Act to enact, amend or revise various Acts related to consumer protection, and recommends the following:

(1) That the committee meet for clause-by-clause consideration of Bill 180 on Wednesday, December 4, 2002, at 10 am and 3 pm.

(2) That the deadline for amendments be Monday, December 2, 2002, at 5 pm.

(3) That the clerk of the committee, in consultation with the Chair, be authorized, prior to the adoption of the report of the subcommittee, to commence making any preliminary arrangements to facilitate the committee's proceedings.

I move adoption of the subcommittee report.

The Chair: Is it the favour of the committee to adopt the subcommittee report? All in favour? Opposed? Carried.

CONSUMER PROTECTION STATUTE LAW
AMENDMENT ACT, 2002LOI DE 2002 MODIFIANT DES LOIS
EN CE QUI CONCERNE

LA PROTECTION DU CONSOMMATEUR

Consideration of Bill 180, An Act to enact, amend or revise various Acts related to consumer protection / Projet de loi 180, Loi édictant, modifiant ou révisant diverses lois portant sur la protection du consommateur.

Mr Bruce Crozier (Essex): I ask for the committee's indulgence and support. I have four amendments that were to have been filed properly. Those amendments have been distributed to you. They didn't get filed at the appropriate time. That indiscretion has been taken care of in my office, and I would ask for unanimous consent to introduce these amendments as we proceed.

Mr Marcel Beaubien (Lambton-Kent-Middlesex): Personally, I don't have any problem with giving my consent with regard to the amendments that have been filed. However, we do have rules at the committee level, and I think we're aware that they have to be filed at certain times. I don't want to be critical, but I think it makes life a little easier if we do file them on time.

Mr Crozier: You can be as critical as you like.

Mr Beaubien: But I am certainly not opposed to agreeing with you.

Mr Sampson: Just say nay.

The Chair: Mr Beaubien still has the floor.

Mr Beaubien: I have no objection to accepting the motion.

The Chair: Do we have unanimous consent? Agreed? Carried.

Mr Crozier: Thank you.

The Chair: The amendments for the Liberal Party will then be entered into the record for consideration.

1010

Mr John O'Toole (Durham): That's these amendments here, 20(a) and 20(b) and 50(a) and (b)?

Interjections.

The Chair: All right, we can interfile those, then.

This is Bill 180, An Act to enact, amend or revise various Acts related to consumer protection, under the Honourable T. Hudak.

What we will ask is that sections 1 through 7, which is the entire bill, be postponed until we go to the five schedules at the end of the bill. First of all, since the

amendments all apply to schedules A to E in the bill and, in addition to that, sections 1 to 7 cannot be carried until the amendments are made to schedules A to E, I would ask that you go to schedule A.

Are there any comments, questions or amendments to any section of schedule A?

Mr Gilles Bisson (Timmins-James Bay): Mr Chair, on a point of order: I wasn't here at the beginning. Have you accepted the Liberal amendments?

The Chair: Yes.

Mr Bisson: OK, just so that I know.

The Chair: Liberal amendments 20(a) and (b) and 50(a) and (b) will be inserted in the appropriate place.

Mr Bisson: OK.

The Chair: We are now moving to schedule A. I believe the first motion is on the government side.

Mr Beaubien: I move that the definition of "goods" in section 1 of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be struck out and the following substituted:

"'goods' means any type of property; ('marchandises')."

If I may give you a bit of background, the proposed amendment takes a more general approach to defining "goods," to increase the clarity of the statute's broad scope, particularly with respect to subsection 104(2). That subsection intends to bring real estate transactions within the part of the bill dealing with false advertising.

The Chair: Is there any comment on the proposed amendment? There being none, shall the amendment carry? All in favour? Opposed? Carried.

We go to the second amendment, a government amendment.

Mr Beaubien: I move that the definition of "officer" in section 1 of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be amended by striking out "any other individual who performs functions for the corporation normally performed by an individual occupying such office" and substituting "any other individual who performs functions normally performed by an individual occupying such office."

To bring some clarity to this change, partnerships as a form of business organization are already covered by each of the proposed acts. The proposed amendments to the definition of "officer" are to ensure the anti-avoidance language of the definitions, drafting covers, partnerships, as well as corporations.

The Chair: Is there any discussion on the proposed amendment?

Mr Bisson: Just a procedural thing. I'm looking for a copy of the bill in the binder. I'm trying to relate it to my amendments.

Mr O'Toole: It's in the first tab.

The Chair: I believe in your binder there is no copy, but we are in the process of obtaining a copy of the bill.

Mr Bisson: So you'll bring me a copy?

The Chair: We will bring you a copy of the bill as soon as we have it available.

Mr Bisson: That's all I need. It's easier to follow if I have the bill.

Interjection: It actually fits to the pieces of the first section.

Mr Bisson: When you go through this, you've got to go searching high and low to relate the amendment to the comments.

Mr Kwinter: I just got this binder this morning. It's very difficult. I usually like to know what I'm talking about. I just want to get a clarification from somebody who knows something about this, just so I know. What is the implication of taking out "for the corporation" in that amendment? That's the only change that seems to be made. It says, "...individual who performs functions normally performed by an individual occupying such office". The only thing that's really been changed is taking out "for the corporation". I just want to know the implication.

Mr Beaubien: I'm certainly not a lawyer. I would ask that representatives from the ministry come forward and explain that to Mr Kwinter.

The Chair: Would the individuals please identify themselves for the purposes of Hansard.

Mr Rob Harper: Certainly. I'm Rob Harper, the project manager of this issue for the ministry.

Taking out the words "for the corporation" means that when the definition talks about people who aren't necessarily named as being this but are acting as it and therefore should be compelled—if we said "for the corporation", that principle would only apply to people who were acting as officers of corporations without being declared to be so. When you take out those words, it means the language is then broader and people who are acting as partners, even if they don't declare themselves to be so, would be treated as such. That's why it's termed an anti-avoidance provision; it's not just what you call yourself that counts, it's what you're actually doing that counts.

Mr Kwinter: My concern is that if there is ever litigation and someone is an officer of the corporation, by the mere fact that they are an officer of the corporation and represent the corporation, they can be held accountable. If someone is not, and is just an employee who is acting on behalf of them, they are not accountable. I just don't understand why it would be put in there. I can understand that it would be more convenient for someone to be able to represent the corporation, but they're not accountable unless there is some specific delegation of authority to them, where they are standing in fact in the shoes of the corporation.

Mr Harper: The definition of officer is used in particular places in the bill, both in Schedule A of that act and then in the other three acts, and in each case it is done to impose, in that particular instance, obligations on officers of corporations which otherwise would not be put upon them. So in the offence provision of each bill, if their company has committed an offence, the officers and directors of the corporation can also be held accountable, and then, within one section of the Consumer Protection Act with respect to one of the remedies provided in the

act dealing with the difficult form of consumer misrepresentation for advanced fees, officers and directors can also be held liable.

I think your question may be going to the question: is the bill trying to bring officers and directors more or less into liability than they would generally be at law? The bill isn't trying to do that when it defines who an officer is. This is for those particular sections that deal with offences and liability in a subsequent section of the act, in part 5, I believe.

The Chair: Are there any other questions on this amendment?

Mr Beaubien: I would request your permission that we keep the representatives from the ministry at the desk, so that if we do have questions as we proceed, it will facilitate the process.

The Chair: I'd ask Mr Harper if he would be available. Thank you. I'm sure you will be, as a matter of course.

Is there any other discussion on the second amendment to section 1 of schedule A?

All in favour? None opposed? Carried.

Shall section 1 of schedule A, as amended, carry? Carried.

There are no amendments from section 2 to section 6 of schedule A.

Shall sections 2 to 6 of schedule A carry? Carried.

1020

Mr Sampson: Is someone going to bring our attention to the Liberal amendments when they come up, because I haven't inserted them in my—

The Chair: Yes, we will, Mr Sampson.

Section 7 is an NDP amendment. Mr Bisson.

Mr Bisson: On behalf of my colleague Mr Christopherson, who prepared all these amendments, on which I've been thoroughly briefed, I would like to present the following amendment under schedule A of the bill, section 7 of the act.

I move that subsection 7(2) of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be amended by striking out "given under this act" at the end of the subsection.

If you want a bit of explanation, as I understand it from what Mr Christopherson has been telling me, in his view it would allow it to expand consumer legal rights beyond what is specified within the bill.

The Chair: Are there any other comments on this proposed amendment?

Mr Sampson: Could I ask counsel for an interpretation of the effect of that amendment?

Mr Albert Nigro: The section as it now reads allows a consumer to seek a remedy in the Superior Court of Justice under this statute, notwithstanding the existence of any term or acknowledgement in a consumer agreement or a related agreement that requires or has the effect of requiring disputes going to arbitration. That's been the subject of some court decisions recently, and my friends from the ministry can speak more to that than I can.

By removing those words under this act you're suggesting that a consumer can seek a remedy in the Superior Court of Justice for any cause of action which the consumer may have under the agreement, despite the existence of the requirement that it go to arbitration. The section as it currently reads only allows you to seek a remedy that is made under this statute to go to a court.

Mr Bisson: The way it was explained to me yesterday by David is that what he's attempting to do here is protect other people who otherwise would not be able to seek a remedy through this act. That's basically what the argument is.

Mr Sampson: Can I get the plain-language version from the ministry, if you don't mind?

Interjection: It was very clear.

Mr Harper: I think what is being addressed here is an issue that has occasionally been discussed; that is, it's not uncommon in contracts, including consumer contracts, for the parties to agree that if down the road they have an agreement of dispute, that dispute will go to arbitration. That then becomes a binding aspect of their agreement, and if indeed there is a dispute, they go to arbitration rather than suing. What the bill says is that if the consumer is suing to enforce a statutory remedy under the act, such agreement to arbitrate doesn't bind them. It still could go to arbitration if they agreed to, but it would not bind them because it's a statutory remedy. I won't take up more of the committee's time than is essential, but that has to do with the nature of the specific remedies provided in the act.

What I think the amendment would do is say that, generally speaking, no pre-commitment to arbitration would necessarily bind the consumer. The consumer would always have the option of taking that issue before the courts. I can keep talking if you want, or I'll just stop at that point, in terms of explaining what the issue is about.

The Chair: Any further comments or questions?

Mr Bisson: I think he was fairly clear in explaining.

The Chair: Mr Bisson has moved the amendment. All in favour? Opposed? I think we've got 3 to 2 here. Carried—I mean, defeated.

Mr Bisson: No, it's 3 to 3. You've got to break the tie, and you've got to vote with the amendment, with whoever moved it. That's traditional. That's how it works.

The Chair: The bill will remain as it is. Therefore the amendment is defeated.

Mr Bisson: Just for clarification, by tradition, doesn't the Chair normally break a tie by voting with the proposer of the amendment?

The Chair: The Chair's vote, from what I've been advised, is to leave the bill the way it is, as opposed to introducing any amendments.

Mr Bisson: I'm highly shocked and incensed.

The Chair: Thank you, Mr Bisson, for your comment. I will be voting to defeat the—

Mr O'Toole: If I may, I'd request a short recess of five minutes.

The Chair: Recess for five minutes.

The committee recessed from 1025 to 1030.

The Chair: The committee will come back to order.

The NDP amendment was defeated.

Shall section 7 of schedule A carry? Carried.

Section 8: no amendments.

Shall section 8 of schedule A carry? Carried.

Section 9: there are two NDP amendments.

Mr Bisson: I'm so happy to be here amongst you this morning, my colleagues.

I move that section 9 of the Consumer Protection Act, 2002, as set out in schedule A to the bill to be amended by adding the following subsection:

"Deemed manufacturer's warranty

"(2.1) A manufacturer of consumer goods sold at retail premises shall be deemed to have given the consumer the same implied warranties and conditions as apply to a sale of the goods to a consumer by a supplier, and such implied warranties and conditions shall be in addition to any express warranties given by the manufacturer to a consumer of the goods."

The Chair: Any comment on the proposed amendment?

Mr Sampson: Do you want to give us the plain-language version of that, Gilles? I'll take either one, the legal interpretation or the plain language one.

Mr Bisson: No. Get the ministry. I'm fine.

Mr Sampson: What would this amendment do?

The Chair: Hang on a minute. Who are we asking this question of? Mr Harper? Thank you, Mr Harper.

Mr Harper: I believe, and please correct me if I'm wrong in describing the intent, that what this is attempting to do is alter what would be known as privity of contract. Ordinarily, if I am a consumer and I buy something from a retailer, my contract is with the retailer, because that is the person with whom I dealt. This would say that in respect of implied warranties there would be established a statutory basis for a relationship between the consumer and the manufacturer, aside from the retailer.

Mr Sampson: Because the manufacturer had an implied warranty to the retailer. Is that the reason why?

Mr Harper: The ordinary course of these things is that you would take the obligations up a chain that might also include a manufacturer or an importer or a distributor, however many contractual hands something has passed through on the way to the retailer. Yes, if the manufacturer sold directly to the retailer—

Mr Sampson: If the manufacturer has an implied warranty to the retailer, this amendment would have that flow through to the consumer, even though there wasn't a similar contract between the consumer and the retailer. Is that correct? So there is an implied warranty between the manufacturer and the retailer. What this amendment is trying to do is attach the consumer's interest to that implied warranty. Is that correct?

Mr Harper: I want to be very careful about trying to characterize what the legal effects of an amendment prepared by others are. I'm not sure it would have precisely the effect you are describing.

Mr Kwinter: Mr Chairman, I'm sure all members got the submission that was presented by a professor emeritus of law at the University of Toronto, a professor of commercial law at Osgoode Hall, a professor of law at the University of Toronto and an associate professor of law at the University of Western Ontario.

They address this specific issue, and their concern, as spelled out in their brief, is that by doing this you may put the consumer in a position where they have to deal with the retailer, who may not have the financial ability to honour the warranty or may not even be in business any more. So if you try to impose the obligation, what you have is—I'll give you an example. If you go to a flea market and a guy has an appliance that is made by a recognized, national distributor and he sells it to you, good luck if you think you are going to try to find this person to get him to honour a warranty, whereas you can certainly go to the manufacturer, who is there. So the question is, does the manufacturer evolve his rights to the warranty to anyone who sells that product in a new condition? That's the concern that the various law professors have. They are saying that the factual reality is that you could change it to do that, but in practice it's going to have little effect because the ultimate honouree of the warranty is going to have to be the manufacturer.

The Chair: Any further comments?

Mr Bisson: I'm just going through the notes here. To tell you the truth, I had a bit of a problem trying to understand it myself. I understand from David's explanation that what this does, in effect, is try to make sure that the warranty that is implied by the manufacturer is in fact passed on to the consumer, because at times we may have a problem with the retailer who is trying to get to that particular issue. I'd like to ask legal counsel whether that's his interpretation of that.

Mr Nigro: I'm not a commercial lawyer. One of my colleagues from the Ministry of Consumer and Business Services is here, and she may have a better take on this. Under the Sale of Goods Act there are implied warranties; however, in commercial arrangements you can contract out of them. I suspect that in most commercial arrangements, whatever warranties are attached to the goods are subject to the agreement and not part of the Sale of Goods Act. So I don't know that you would be passing on implied warranties in the sense that you mean it, because the implied warranties are raised as a matter of statute. Under this statute, in the sale of goods, you cannot contract out in a consumer transaction. What the amendment purports to say is the same implied warranties in the Sale of Goods Act apply to the manufacturer and you can't contract out. You've created, as my friend Mr Harper has said, a fiction of privity of contract as between the consumer and the manufacturer. I'm sorry if that may not be particularly clear, but that's what I understand the law to be.

The Chair: Any further discussion?

Mr Sampson: I get what you're trying to do. I just don't have confidence that this language is doing it, so I

will not support it. But I think I know what you are trying to do.

The Chair: Any further discussion on the amendment?

Mr Bisson: Just on that, just quickly, without wasting too much time, is there an agreement to make some changes to this amendment in order to make that happen?

Mr Sampson: I don't know how we do that in the scheme of the time that we have.

Mr Bisson: Then just on a separate issue, it seems to me that the problem we often get into in doing legislation is that we are not given the amount of time in committee to deal with this stuff, so that when all parties agree that we should be doing something that's for the benefit of the public, we get caught up by our own time allocation motions. I'm just bemoaning time allocation motions on this point.

The Chair: Any further comment on the proposed amendment? I'll call the question.

All in favour of the amendment? All opposed? Defeated.

The next amendment, number five, is also an NDP amendment.

Mr Bisson: I move that section 9 of the of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be amended by adding the following subsection:

"Implied warranties and conditions extended to family
"(5) Any implied condition or warranty under the Sale of Goods Act or any deemed condition or warranty under this act that apply to a consumer agreement shall be deemed to apply to any member of the consumer's family who are living with the consumer at the time of the consumer transaction."

The Chair: Any comments on the amendment?

Mr Bisson: Again, I have been told by Mr Christopherson that what he's trying to get at here is to protect the families of the purchasers.

Mr Kwinter: Without trying to belabour the point, I'm just going on this panel of what I assume are experts and their comments—they feel there is a legal problem in that the original purchaser is going to have to delegate his right to seek redress to a member of the family. That could create some legal problems as to how that happens. I know I'm splitting hairs, but the big problem we have is that someone buys it and then some other member of the family is trying to claim under the warranty and, under law of contracts, they may not be able to unless they can show there has been a legal delegation of that right to that person. I don't know how you do that.

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Mr Bisson: An example of that in the discussion I've had with Mr Christopherson is, let's say you purchase a good or service, let's say I happen to do that, and for whatever reason—you're deceased or whatever the issue might be—you're not around while you're still within the warranty. In order to extend that warranty to the family, because it was an item that was purchased by one person on behalf of the family—it could be anything from a car

to you name it. It was just a way of making sure that, for whatever reason the original purchaser is not there anymore, the warranty still applies.

I've got a couple of cases like that. For example, in one particular case I dealt with back in my riding, a couple had a contractor come in and build a house. Unfortunately, there was a separation just after the house was built, and we won't get into that. What ended up happening, which was a little bit unfortunate, is that the wife's name didn't end up on the deed—don't ask me how that happened—and it got kind of messy when the separation happened. So the husband, who actually owned the house, was trying to prevent the warranty from happening on the repairs that needed to be done to the house to correct the contractor's errors in construction. It got quite complicated. It deals with those kinds of situations.

The Chair: Just before we get to Mr Beaubien, there's a little technicality here. You'll find your microphones are being left on because there is a technical problem. If you want to turn them off, you can manually do so, but you may have to manually turn them on again.

Mr Sampson: Mr Chair, thank God Mr O'Toole's microphone is not working.

The Chair: Thank you, Mr Sampson. I believe Mr Beaubien is next. You have the floor, sir.

Mr Beaubien: I have a concern with this amendment. I can see where Mr Bisson is coming from, trying to extend protection to the consumer. But, in his words, like he said, you can get into a messy situation because the name of the wife was not on the deed in this particular situation. I don't know. We have lawyers.

It says, "to apply to any member of the consumer's family who are living with the consumer at the time of the consumer transaction." Does that mean the warranty would only apply to whoever was living with you when you purchased that and even if they're not living with you after you've done the transaction, the warranty still applies? It's very vague, and I think we're only confusing the argument here.

Mr Bisson: Let's just keep it simple. You go out and buy a car and there's a warranty on the car. I think that normally the manufacturer would recognize the warranty—I would hope. But there's a situation where you buy a car as a family car and all of a sudden the original person in whose name the car is deceased. Making sure the warranty keeps on applying to that particular car, the full extended warranty, is what we're trying to get at here on goods and services. It's just to make sure that if somebody purchases something and, for whatever reason, the person who made the original purchase is no longer there while the warranty is still in force, the item that's been purchased for that family is covered by the warranty. That's what that's all about.

The Chair: Any further comment? There being no further comment, I shall call the question.

All in favour of this amendment? All opposed? Defeated.

Shall section 9 of schedule A carry? In favour? Opposed? Carried.

Sections 10, 11, 12, 13, 14, 15, 16, 17, 18 and 19 have no amendments. Shall those sections carry? Any opposed? Carried.

Section 20 has a government amendment.

Mr Beaubien: I move that the definition of "personal development services" in subsection 20(1) of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be struck out and the following substituted:

"personal development services" means,

"(a) services provided for,

"(i) health, fitness, diet or matters of a similar nature,

"(ii) modelling and talent, including photo shoots relating to modelling and talent, or matters of a similar nature,

"(iii) martial arts, sports, dance or similar activities, and

"(iv) other matters as may be prescribed, and

"(b) facilities provided for, or instruction on the services referred to in clause (a) and any goods that are incidentally provided in addition to the provision of the services; ('services de perfectionnement personnel')"

The Chair: Is there any comment on the proposed amendment?

Mr Bisson: Could you explain what you're trying to do here? I just need a quick explanation.

Mr Beaubien: The definition of "personal development services" is proposed to be amended to align more closely with the current Prepaid Services Act in that the term covers enumerated types of services and those similar to them. The bill proposed a much broader definition which could, for example, bring all educational services under this particular definition.

The Chair: Any further comment on the proposed amendment?

All in favour? All opposed? Carried.

Amendment number 7 is a government motion.

Mr Beaubien: I move that subsection 20(1) of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be amended by adding the following definition:

"remote agreement" means a consumer agreement entered into when the consumer and supplier are not present together;"

The Chair: Any comment on the proposed amendment?

All in favour? Opposed? Carried.

Number 8; a government amendment.

Mr Beaubien: I move that subsection 20(2) of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be struck out and the following substituted:

"Limitations on cancellation

"(2) Despite sections 90 and 91, in the prescribed circumstances, the effect of cancellation of a consumer agreement to which this part applies by a consumer and the obligations arising as a result of the cancellation of the agreement may be subject to such limitations as may be prescribed."

If I may explain this section, cross-references are amended to include both relevant sections to the bill, adding section 91, and to clarify that obligations may be limited, as well as effects. Limiting effects alone would not fulfill the section's intent, as the bill also proposes obligations when consumer agreements are cancelled.

The Chair: Is there any comment on this amendment?

Seeing no comment, all in favour of the amendment? Opposed? Carried.

Shall section 20 of schedule A, as amended, carry? Carried.

Sections 21, 22, 23, 24, 25, 26 and 27 have no amendments. Shall those sections of schedule A carry? Carried.

Section 28 of schedule A: there is a government amendment.

Mr Beaubien: I move that subsection 28(1) of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be amended by striking out "required under section 27."

To give you a brief explanation, this amendment addresses a proposed cooling-off remedy and clarifies its application vis-à-vis remedies for failing to deliver required copies of consumer agreements. The bill has used an approach that can be argued to create an indefinite cooling-off right under contracts when disclosure obligations aren't met. Since the clock would never start on when their cooling-off period ran, the intent was to limit the statutory remedy for faulty disclosure to one year. The proposed amended approach is more consistent with Ontario's harmonization obligation in areas such as direct sales, and the original approach can be argued as violating the harmonization agreement. Under the revised approach, a consumer has 10 days from receiving the written copy of an agreement to use the cooling-off right.

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The Chair: Any further comment on this proposed amendment?

Mr Kwinter: From what I can see, the only change that's been made in this section is that you've removed "required" under section 27, and section 27 says, "Every time share agreement shall be in writing, shall be delivered to the consumer and shall be made in accordance with the prescribed requirements."

I'm not exactly sure why you're striking out those provisions in the immediate section just preceding, which is very simple and just says that everything has to be done in writing and has to be delivered to the consumer under the prescribed requirements. You're saying that you want to take that particular section out of section 28. I'm not saying it's wrong; I just don't understand.

Mr Beaubien: We certainly can get a further explanation from the legal department or our legal expert.

The Chair: Mr Harper or counsel from the ministry—your choice.

Mr Harper: Looking at what sections 27 and 28 do, they both create something and then give it remedy. What 27 does is, say you have a cooling-off period of 10 days; when does that start running? When you get a

written copy of your agreement. The way the bill had proposed it, however, for a written copy to count in order for that 10 days to start running, it would have to have all of the prescribed requirements. For example, let's propose that under that section 28, down the road, the government has described a list of disclosures that must be in all time share agreements. If it was a faulty agreement under 28, the clock wouldn't start running.

What the amendment proposes is a separate division, because if under 28 it's a faulty agreement, you don't get 10 days to cool off; the bill says you get one year to cool off. So the bill has its own remedy if the written agreement is faulty. What the amendment does is de-link the issue of when your 10 days start. When you get a written copy of the agreement, is that written copy itself faulty or not?

Mr O'Toole: If you look at section 28(2), it explains that further. That's what Rob is saying there. The consumer may cancel the time share within one year after entering into it if the consumer does not receive a copy of the agreement. And that section is better, in terms that it explains that you get one year if there's a fault within the agreement. Isn't that what it says?

The Chair: Any further comment?

Mr Kwinter: Well, without belabouring the point, the issue is this: section 28(2) is not being amended. There's no government amendment to change that, and it provides for requirements under section 27. Section 27 doesn't even talk about a cooling-off period. All it says is, "Every time share agreement shall be in writing, shall be delivered to the consumer and shall be made in accordance with the prescribed requirements." That's all it says. It doesn't talk about anything else.

Then in section 28, it talks about the cooling-off period and about "required under section 27." This amendment says we want to take out "required under section 27", but then in 28(2), which deals with exactly the same issue, it's left in. I don't understand why it's being taken out of that particular section when it's still in there under 28(2).

Mr Beaubien: If I may, I think one deals with the cooling-off period and the other one, under section 28(2), deals with failure to meet requirements. I think those are the two issues we're trying to differentiate.

Mr Sampson: I think what it's trying to do, and maybe it's bad language—but then again, who am I to argue about the legal language? It's trying to allow for section 28(1) and (2) to work in conjunction with each other. My reading is that if you take away 28(1), as suggested in the amendment, it basically allows for the existence of 28(2), which is the termination of the agreement within one year if you get a copy of an agreement that doesn't meet the conditions that have been prescribed. I think what they're worried about is that if you get an agreement that doesn't meet the conditions that are prescribed within 10 days, you may end up, the way it's currently written, not having any cooling-off period. I think that's what you're trying to—is that correct?

The Chair: May I suggest that legal counsel for the ministry give an opinion?

Ms Christina Christophe: I'll take my shot at trying to explain this. Section 27 states, as you indicated, that there are three requirements for a time share agreement: in writing, delivered to the consumer and whatever else is stated in the regulations. Subsections 28(1) and 28(2) are trying to deal with two separate issues. Subsection 28(1) is setting up a cooling-off period. A cooling-off period is typically set up because you're involved in a type of transaction in which there has been some pressure on the consumer and they need time to think about it. Section 28 is stating that you've got 10 days after entering into the agreement to cool off. It's deliberately meant to be a relatively brief period of time. But if you leave the words "required under section 27" there, then that cooling-off period can be eternal, if you will. For example, if the prescribed requirements are a list of 20 items and one of them is that the business has to put its phone number down and they don't, then the consumer never receives an agreement required under section 27 because of one technical default. All 28(1) is trying to do is say you've got 10 days after receiving a copy of the agreement to cool off.

Now, if there happens to be a problem with the agreement that's been given to you in that it doesn't comply with the requirements, 28(2) will deal with that. Subsection 28(2) states that you have one year after entering into the agreement to cancel if you don't receive a copy of the agreement that meets those technical requirements. So they're addressing two separate issues: subsection 28(1), the issue of high-pressure transactions, if you will, and 10 days' cooling off; and subsection 28(2), the issue of the supplier not complying with the act and regulations, and you have one year to cancel in that situation.

Mr Sampson: So if you did take away that phrase, as the amendment proposes, then it's quite possible that you could come home from your trip to Florida, having bought the time share agreement, and in the coolness of thought the next day, you wouldn't be able to call and say, "I'm out of this deal," because you never got an agreement that was consistent with the regulations.

Ms Christophe: Correct.

Mr Sampson: So if that phrase is there, you can actually never cool off, if you will, because the clock hasn't started.

Ms Christophe: You can cool off if the clock starts, and the clock would start, the way it's presently drafted—

Mr Sampson: When you got some document.

Ms Christophe: The clock would start, as it's presently drafted, if you got a document that fully complied with the act and regs. If it didn't fully comply and the supplier gave you everything he or she was supposed to and you came back, as you said, yes, the way it's presently drafted, you can then attempt to cancel the contract, although there are some provisions later on in the act dealing with equity that would feed into that, because it's

really not quite fair enough to the supplier. But it does put that kind of fix in.

Mr Kwinter: So what you're saying is that you're still required to receive the written agreement, but that written agreement may not be complete.

Ms Christophe: Correct.

Mr Kwinter: Under the act, it has to be complete.

Ms Christophe: Correct, but the consequence of the written agreement not being complete is set out in subsection 28(2).

Mr Kwinter: I understand.

The Chair: Any further comment? Mr Crozier?

Mr Crozier: No, I'm ready to go.

The Chair: You beat the gun.

Mr O'Toole: I just want to ask a question.

The Chair: Quickly, Mr O'Toole.

Mr O'Toole: This may not be completely relevant, but would this law for legal language here apply if I bought a time share in another jurisdiction, like the United States? Wouldn't their law prevail? That's where I signed the contract.

Mr Harper: Say you go to Florida and buy a time share in Florida. It's going to be Florida law that would apply. But if you're here when you sign a contract, it's Ontario law.

Mr O'Toole: I'm just trying to clarify. It's like Cranberry Hills or one of those places.

Mr Harper: Well, you might be interested to know that in 48 of 50 US states, if you went there, you'd already have put an offer on it.

Ms Christophe: But it does always get tricky when you have problems.

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The Chair: We'll call the question, then.

All in favour of the government amendment? All opposed? Carried.

Shall section 28 of schedule A, as amended, carry? Carried.

Sections 29, 30 and 31 have no amendments. Shall sections 29, 30 and 31 carry? Carried.

Section 32: we have a government amendment.

Mr Beaubien: I move that subsection 32(1) of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be struck out and the following substituted:

"Only one agreement

"32(1) No supplier shall enter into a new agreement for personal development services with a consumer with whom the supplier has an existing agreement for personal development services unless the new agreement is for personal development services that are distinctly different from the services provided under the existing agreement.

"New agreement void

"(1.1) Any new agreement entered into in contravention of subsection (1) is void."

I can give you a bit of an explanation. The proposed amendment relates to the provision under the existing Prepaid Services Act. The amendment makes it clear that the supplier can enter into a new agreement if the

services are distinctly different, otherwise multiple contracts are void.

The Chair: Any further comment on this proposed amendment?

All in favour? Any opposed? Carried.

Shall section 32 of schedule A, as amended, carry? Carried.

Sections 33 and 34 have no amendments. Shall sections 33 and 34 of schedule A carry? Carried.

We'll move on to section 35. We have a proposed government amendment.

Mr Beaubien: Under subsection 35(1), I move that subsection 35(1) of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be amended by striking out "mentioned in subsection 30(1)."

To give you a bit of background, the amendment addresses the proposed cooling-off remedy and clarifies its application vis-à-vis remedies for failure to deliver required copies of the consumer agreements. The bill has used an approach that can be argued to create an indefinite cooling-off right under contracts when disclosure obligations aren't met. Since the clock would never start on when their cooling-off period ran, the intent was to limit the statutory remedy for faulty disclosure to one year, as is done in other provinces.

The proposed amendment's approach is more consistent with Ontario's harmonization obligation in areas such as direct sales, as the original approach can be argued as violating a harmonization agreement. Under the revised approach, the consumer has 10 days from receiving a written copy of an agreement to use the cooling-off right.

The Chair: Any further comments?

All in favour of the amendment? Any opposed? Carried.

Shall section 35 of schedule A, as amended, carry? Carried.

We have section 36 with no amendments. Shall section 36 of schedule A carry? Opposed? Carried.

Section 37: we have an NDP amendment.

Mr Bisson: I move that section 37 of the of the Consumer Protection Act, 2002, as set out in schedule A of the bill, be amended by adding the following subsection:

"Applicable law

"(2) Without limiting the generality of subsection 2(1), an Internet agreement concluded with a consumer in Ontario shall be governed by the laws of Ontario and any provision in the agreement to the contrary is void."

It's pretty straightforward. I think you can understand what we mean.

The Chair: Any comment on this amendment?

Mr Sampson: A comment from the ministry and the government on where this goes?

Mr Harper: There are couple of points to make. Again, it perhaps goes to what the intent of the amendment is, so I'll limit myself to observing what the amendment says on its face. Saying that there should be govern-

ment laws in Ontario would relate then to the provisions of what is on the statute books in Ontario.

At the beginning of this bill, we would have seen a clause that when a consumer or a supplier is in Ontario, the consumer protection provisions of this bill apply and cannot be waived. What this may also raise is the general issue of the choice of forum and jurisdiction to hear disputes under contracts, whether you're relating to statutory provisions or not. I'm not sure if the amendment, as drafted, would go that far.

Mr Sampson: If I'm buying a set of wheels on eBay, doing that from my computer at home, if this bill gets passed, my consumer rights are governed by this legislation, the laws of the province of Ontario.

Ms Christophe: Subsection 2(1) states that this act applies in respect of all consumer transactions if the consumer or the person engaging in the transaction with the consumer is located in Ontario when the transaction takes place. That applies in respect of all consumer transactions in the act, not just the Internet transactions.

Mr Sampson: I think Gilles is trying to get at Internet transactions by reading through the—if this bill carries, it will indeed do what we want to do, which is to cover the consumer. Frankly, I don't care about the vendor; I'm worried about the consumer.

Ms Christophe: It will indeed do that to the extent that any jurisdiction can enforce that. Whenever you're involved with a consumer in one jurisdiction—

Mr Sampson: I understand.

Ms Christophe: OK.

Mr Sampson: At least if the guy sends me a washer and I ordered wheels for my car, I should be able to sue somebody. Whether I'll get any resolution in the court, because the guy selling me the stuff was in Wisconsin, is another matter, but at least I can go to a place and say, "I'm going to take you to court because you've delivered to me things that weren't what I ordered and bought on the Internet."

Ms Christophe: And this act says—

Mr Sampson: And this act does that, which I think is what you were trying to do with that amendment.

Mr Bisson: So you're saying without this amendment you would be protected in the case of purchasing on eBay? Is that what you're saying?

Ms Christophe: To the extent that statutes can ever protect you cross-jurisdictionally. When it comes to conflicts of laws, and by that I mean you have the law of more than one jurisdiction applying, you can never give any guarantees. What this statute says is that you can invoke this statute.

Mr Sampson: Do you know what I would be worried about with this amendment, Gilles? If there is some wonky law in Singapore that would allow fraudulent sales activities, I wouldn't want that law to apply to the transaction for the consumer, right? I'm worried about the consumer, and the consumer is covered by our laws, which I think is what's being done by this act. I would be worried about that being too broad, to actually cover the vendor.

Mr Bisson: Let me just—

The Chair: Mr Crozier would like to comment, Mr Bisson.

Mr Bisson: Oh, sorry.

Mr Crozier: Just an observation: when it comes to any transaction, whether you do it personally in another jurisdiction or whether we try to protect someone on the Internet, when you do that, lots of luck. I don't think there's any law we can write that's going to protect the consumer.

Mr Bisson: Just back to the ministry again, I understand somewhat what you've just said. Without this amendment—it being voted down—you're saying if I go on eBay and purchase something, to the degree that I'm able, I would be protected under this act. Is that what you're saying?

Ms Christophe: My understanding of it is that you would be protected under this act to the extent that the area of conflict of laws works for you. It may be that another jurisdiction would not recognize the substantive law of this act. But you can vote for this act in your favour. I'm not promising you that—

Mr Beaubien: OK. I heard what you said the first time; I just wanted to make sure I understood what you said. So if we voted in favour of this motion, would that in any way strengthen the consumer protection when it comes to e-commerce?

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Ms Christophe: Yes, if you'll just give me a moment. I was just very closely reading the amendment. In its second line it states, "shall be governed by the laws of Ontario." That, assuming this bill gets passed, goes beyond this bill, and in that sense it's broader than what we have.

It goes on to say, "and any provision in the agreement contrary is void," but I think the bill has that covered off in saying, "rights given under this act apply despite any agreement or waiver to the contrary." So I think we've got that covered off. But this section does puff it out beyond this particular law, should it become law.

Mr Bisson: I just get back to the notes I got from Dave and what little conversation I had with him, and this was one of the ones we talked about. The whole idea was just to make clear that if you're purchasing stuff on the Internet, there is a certain regime to protect the consumer when it comes to warranted stuff. He sees this as expanding beyond the legislation.

Mr Sampson: But there may be a BC law that's tougher. Wouldn't you want to be able to have the right to—

Mr Bisson: I don't think that would delay—anyway, we'll vote on it.

The Chair: Mr Kwinter has been patiently waiting.

Mr Kwinter: This resolution is a double-edged sword. We're reading it from the perspective of the consumer. A consumer may buy something on the Internet that he's not allowed to have in Ontario and, as a result of that, he's in trouble. I don't mean it in the sense that it's illegal or anything else; it just may not be approved in

Ontario. This is saying that you can't buy anything unless it's governed by the laws of Ontario. As I say, we're looking at it from one perspective. It may be like a boomerang and come back and people will be saying, "What right do you have to tell me what I can buy?"

The Chair: Any further comments on the NDP amendment?

All in favour? Opposed? Defeated.

Shall section 37 of schedule A carry? Carried.

Section 38 has no amendments. Shall section 38 of schedule A carry? Carried.

Section 39: an NDP amendment.

Mr Bisson: Can I just shorten the process? Are you going to vote against this?

The Chair: Are you withdrawing the amendment?

Mr Bisson: Well, I just get a little frustrated at these committee hearings when you're not taking any of this—anyway, I move that the Consumer Protection Act, 2002, as set out in schedule A to the bill, be amended by adding the following section:

"Material change to Internet agreement

"39.1 A material change to an Internet agreement shall not be binding on a consumer unless,

"(a) written notice disclosing the material change has been delivered to the individual consumer; or"

I won't even explain it.

The Chair: Any comments on the proposed amendment?

Mr Kwinter: I'd just like a clarification. I don't see any material difference between what is in the act now and what is being proposed. Can you tell me the rationale of it?

Mr Bisson: I don't have any explanation for this.

Interjection: Withdraw it. You're better off to withdraw it.

Mr Bisson: Just vote against it.

The Chair: Any further comment on the amendment?

All in favour of the amendment? All opposed? Defeated.

Shall section 39 of schedule A carry? Carried.

Sections 40, 41 and 42 have no amendments. Shall those sections of schedule A carry? Carried.

Section 43: we have a government amendment.

Mr Beaubien: I move that subsection 43(1) of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be amended by striking out "required under section 42".

To give you a bit of background information, this amendment addresses the proposed—

Interjection: It's the same argument as before.

Mr Beaubien: The same argument on both—the cooling-off period.

The Chair: Are there any other comments on this proposed amendment?

All in favour? Opposed? Carried.

Shall section 43 of schedule A, as amended, carry?

Mr O'Toole: There's another amendment.

The Chair: It's a new section of the bill. That's sections 43.1, 43.2 and 43.3.

I'm asking if section 43 of schedule A, as amended, shall carry. Carried.

Now there is a government amendment for sections 43.1, 43.2, 43.3 and 43.4.

Mr Beaubien: I move that part IV of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be amended by adding the following sections:

"Remote agreements

"Application

"43.1 Sections 43.2 to 43.4 apply to remote agreements if the consumer's total potential payment obligation under the agreement, excluding the cost of borrowing, exceeds a prescribed amount.

"Disclosure of information

"43.2 Before a consumer enters into a remote agreement, the supplier shall disclose the prescribed information to the consumer and shall satisfy the prescribed requirements.

"Copy of remote agreement

"43.3(1) A supplier shall deliver to a consumer who enters into a remote agreement a copy of the agreement in writing within the prescribed period after the consumer enters into the agreement.

"Content of remote agreement

"(2) The copy of the remote agreement shall include such information as may be prescribed.

"Deemed supply of remote agreement

"(3) For the purposes of subsection (1), a supplier is considered to have delivered a copy of the remote agreement to the consumer if the copy is delivered in the prescribed manner.

"Cancellation of remote agreement

"43.4(1) A consumer may cancel a remote agreement at any time from the date the agreement is entered into until seven days after the consumer receives a copy of the agreement if the supplier fails to comply with section 43.2.

"Same

"(2) A consumer may cancel a remote agreement within one year after the date the agreement is entered into if the supplier does not provide the consumer with a copy of the agreement pursuant to section 43.3."

The Chair: Any discussion of this amendment?

Mr Kwinter: Looking at the preamble to the act where they have the explanations, I don't see any definition of a remote agreement. Do we have that so we know exactly what we're talking about? What constitutes a remote agreement, and what doesn't?

Ms Cristophe: The definition of "remote agreement" was carried by way of an earlier amendment. I think it was to subsection 20(1), page 7 in your motion sheets.

The Chair: You're referring to the seventh amendment, Ms Cristophe?

Ms Cristophe: Correct.

Mr Kwinter: OK. Thank you.

Mr Sampson: I just noticed, on 43.4, that you've got that tail phrase about the seven-day cancellation or cooling-off period if they fail to comply with section

43.2. In other amendments, we've ripped those references out. Do we want to do that again here?

Interjection.

Mr Sampson: No? OK. I'm ready for the explanation.

Mr O'Toole: No, because these are new sections and the wording is different.

The Chair: Who will address this? Mr Harper?

Mr Harper: Would you like me to explain how the section is intended to work?

Mr Sampson: I just want to know why we don't have to take away what we've been taking away in the other ones.

Mr Harper: What was taken away in the other ones, going back to an earlier discussion, was the provision that if someone didn't comply with giving the consumer a written copy of an agreement to comply with specific rules, four years later a consumer could still cancel because the clock never ran out. That problem doesn't arise under this section. What we consistently say is that if the consumer should get a written copy of an agreement, then that's when any clock starts. Indeed, if you never give the consumer a written copy of the agreement, then it's not going to bind.

1120

What 43.4(1) says is that you have until seven days after you get a copy of the agreement if someone fails to comply with 43.2. Section 43.2 is pre-sale disclosure. An example would be that if you're buying something from somebody over the phone, 43.2 governs what they have to tell you before you hang up. Section 43.4 says they should give you a written copy of the agreement, and you have seven days after that to say, "Wait a minute. This wasn't divulged on the phone."

Mr Sampson: Okey-dokey.

Mr Crozier: Just a quick question and then a comment. Could a remote agreement be an agreement over the Internet?

Mr Harper: Internet agreements are covered by their own section. Those are the rules that would govern Internet agreements.

Mr Crozier: Could it be done over the telephone?

Mr Harper: Yes.

Mr Crozier: I don't have any objection to the amendment, but this really only applies in Ontario, where we have control over our own laws. If I agree to buy something over the phone from California, good luck, right? I'm just pointing that out. Would that be a valid observation?

Mr Harper: As was said before, there are limits on the extent to which Ontario can enforce its laws outside its borders. We generally try to address this with harmonization agreements, where governments within Canada and internationally agree to take similar approaches. What you find, for example, is that the rules on the Internet that they have in BC are exactly the same as the rules we're proposing for Ontario. You will, to the extent we can get harmonization agreements in place, have that benefit, but where we're not, these provisions are much more a shield for consumers to defend against being

pursued to pay monies under faulty contracts. Once you've sent out your money beyond Ontario's borders, getting it back again may be more problematic.

Mr Crozier: I take that as a legal yes. OK?

The Chair: Any further comments on this proposed amendment?

All in favour? Any opposed? Carried.

Shall sections 43.1, 43.2, 43.3 and 43.4 of schedule A, as amended, carry? Carried.

Section 44: we have a government amendment.

Mr Beaubien: I move that the definition of "regulated operator" in section 44 of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be struck out and the following substituted:

"regulated operator" means,

"(a) a person who is a credit repairer or a loan broker, or

"(b) a supplier who supplies such goods or services as may be prescribed or a person who holds himself out as a supplier of such goods or services. ('exploitant reglemente')

The Chair: Is there any comment on this amendment?

Mr Kwinter: I don't have a comment, but I'd like an explanation. From what I understand, if you're a regulated operator, that means there is some regulatory body that certifies that you are in fact a credit repairer or loan broker under the business brokers act or whatever; I'm not exactly sure how that's done. But I assume, by the mere fact you're called a regulated operator, that you do have to meet some sort of qualifications or get some sort of licence.

When you talk about "holds himself out as a supplier of such goods or services", that means they're not a regulated operator, but if they hold themselves out as such, they're covered by this. I just have a concern that if you can do it and you're covered by that, why do you have to be a regulated operator? There should be some sort of prohibition against somebody who's not a regulated operator or loan broker from being covered by this, whereas this says that if you're regulated, you fall under this, and if you're holding yourself out as a supplier of such goods, even though you're not regulated, you're covered as well. I just want an explanation.

Mr Beaubien: I'll go to the ministry staff.

The Chair: Mr Harper or Ms Cristophe?

Mr Joseph N. Tascona (Barrie-Simcoe-Bradford): I can respond to that. If you read the definition, "a supplier who supplies such goods or services as may be prescribed"—that's what you set forth in regulation—and then you add to it, "or a person who holds himself out as a supplier of such goods or services." When you say, "holds himself out," they're representing themselves as a supplier of such goods or services. So it's catching both parts of it: one that's prescribed and one that they're representing themselves as. It's protection and coverage to make sure that we cover all areas.

The Chair: Any further comment? Ms Christophe, did you want to make a comment?

Ms Christophe: Yes, if I may add to that—I'm sorry; I had to walk away for part of your question. A credit repairer and a loan broker don't have to be registered or licensed. A credit repairer or a loan broker is someone who does the activity that falls into credit repair and loan brokering or who holds themselves out that they will do it. So what we're adding in clause (b) is "a supplier" of "such goods or services as may be prescribed or ... who holds themselves out...." So that's the symmetry in it.

To provide a bit of further explanation—this is in the advance fee prohibitions section of the bill, "Sectors Where Advance Fee Prohibited"—what happens in these sectors is that your credit repairer or loan broker will offer to do something for you. If I may speak to loan brokering, because I have a lot of familiarity with that area, a loan broker will say, "Give me \$500"—or \$200 or \$1,000—"and I'll see to it that you get a loan." Once they have the money, the loan never appears. In fact, they may not do anything to see to it that you get the loan. So it's meant to capture not only somebody who engages in the activity of getting you a loan and doesn't, but who holds himself out that he will do that and doesn't.

Mr Kwinter: I'm not in any way questioning the function. I'm just questioning the fact that they're referred to as a "regulated operator." It would seem to me that if a consumer looks at this, they would assume that this person is regulated, that he is accountable to somebody. You're saying that you don't have to be regulated. There is no regulated loan broker or credit repairer. These are just people who do it, and if they do it, they're covered. That's the only concern I have.

Mr Tascona: Just a comment on that. A loan broker is defined in the statute. You're aware of that. A credit repairer did not appear to be defined. Loan brokering is defined to mean "services or goods that are intended to assist a consumer in obtaining a loan of money, including obtaining a loan of money from the loan broker's own funds." You're not dealing with someone who is—as you indicated.

Mr Kwinter: What I'm saying is, when you say that it's defined, all it defines is its function.

Mr Tascona: That's correct.

Mr Kwinter: This is supposedly a consumer protection vehicle. I know, as a former Minister of Consumer and Commercial Relations—

Mr Tascona: I'm sorry. I can't hear you.

Mr Kwinter: I know, as a former Minister of Consumer and Commercial Relations, that if you tell somebody that it's a regulated operator, they assume there's some governing—

Mr Tascona: And that's fair.

Mr Kwinter:—oversight of their activities. Now I understand that there isn't any. I'm just wondering why they're referred to as a "regulated operator," when in fact they are not regulated.

Mr Tascona: I don't think it's suggesting that they're regulated under statute. That's not being suggested, although I think that's how you interpret it.

Mr Kwinter: It's implied. Why would you call them "regulated" if they're not regulated?

Mr Beaubien: I think Mr Kwinter is bringing up a point here, and I tend to agree with him. In the heading it says, "regulated operator." Now I'm told that a credit repairer is not a regulated body or person or whatever. There seems to be something out of sync here, so I would need some explanation from the legal branch or whatever to try to clarify this. I find it confusing myself, to be honest with you, now that you've raised it.

1130

The Chair: Would ministry staff like to address this?

Ms Christophe: In "regulated operator," regulated does not mean they have to be registered or licensed, although I understand that it makes that inference. "Regulated operator" means only what is set out in clauses (a) and (b).

Mr Nigro: I wonder if I could comment for a moment on that. I can understand your confusion, and I confess to having had a hand in coming up with the phrase. The phrase is used as a means to help the drafting of the bill, because there are places where we're covering all three kinds of people in this and it makes for a much easier read, if you read that part of the bill.

They are, in fact, regulated under part V, and to that extent I don't think it's misleading. They are not regulated in the sense of other consumer statutes that deal with regulated industries like the Real Estate and Business Brokers Act or the Motor Vehicle Dealers Act or things of that nature, but they are regulated to at least that extent. I confess to having had a hand in developing the phrase, and it really was to help in the drafting of part V of this act.

The Chair: Any further comments?

Mr Kwinter: I always keep saying I hate to belabour this, but I want to belabour it because I've had the experience, when I was a minister, that we had some trust companies that went under and people felt they were licensed. It's like someone coming to the government and saying, "This guy had a car accident and you gave him his licence, and because you gave him his licence, you're responsible and I'm going to hold you accountable. You should never have given him the licence."

Just because you give someone a licence, it doesn't mean that you then control them and all of their driving capability. All I'm saying is that when you look at this definition, this is the Consumer Protection Act and it talks about a regulated operator. I can tell you that the average person would look at that and say, "If it's a regulated operator, somebody is regulating them, somebody is holding them accountable."

We now understand that the regulation we're talking about is just a definition of what they do, but there is no regulation or control. I have no problem—I'm not saying—

Mr Tascona: Let me respond to that. Let's not get into semantics in terms of what's regulated or not.

Mr Kwinter: Laws are all about semantics.

Mr Tascona: Why don't you go to section 49 of the act? If you're concerned about control, it says, "A regulated operator shall not communicate or cause to be communicated any representation that is prescribed," which, as you know, is in regulation, "as a prohibited representation." So they are controlled through regulation.

Mr Kwinter: How can you control somebody if they're not regulated?

Mr Tascona: They're controlled by regulation. The term "prescribed" is something that's set out in regulations by the Lieutenant Governor. That's why they use the word "prescribed." So they'll be controlled through regulation as put forth by the Lieutenant Governor. There are powers for the Lieutenant Governor to set regulations in this statute. What it's saying here is basically as prescribed. So they will be regulated through the statute—not a separate statute, but through this statute. That's what it means.

Mr Kwinter: The reason I brought this up in the first place is that you talk about a regulated operator and a supplier of "such goods or ... who holds himself out." They are one in the same. There is no such thing as a credit repairer who is regulated and another credit repairer who isn't regulated. They are one and the same, because there is no provision for someone to be qualified as a regulated credit repairer. What I'm saying is that when you read this, you get the impression not that it's going to be covered in the regulations, but that these people are regulated in some way. I would suggest to you that you could just use the same thing as "supplier" and it applies to all suppliers because none of them have any qualifications other than someone else, and they may all be caught up in the way any supplier or any loan broker is covered by this regulation.

Mr Tascona: But they're going to regulated through the regulation. You're a businessman, Mr Kwinter. You would understand that there are people out there who are supposed to be regulated, but they think they want to be in the business anyway. So they hold themselves out as someone who is in that business. This particular definition, because of the way it is categorized, with an "or", is meant to catch both types.

Mr Kwinter: But it doesn't.

Mr Tascona: But it does.

Mr Kwinter: No. What it will do is catch all types because there is no differentiation between the types. All I'm saying to you is that—and I'm not talking as a businessman; I'm talking as someone who's had a lot of experience in drafting legislation—when you talk about a regulated operator, the first thing you want to do is look at the definition of who is a regulated operator. A regulated operator is like a licensed real estate broker. They've passed certain qualifications, they're answerable to a registrar, they have an accountability built in.

Mr Tascona: I fully understand that. I fully understand your point.

Mr Kwinter: You're saying this legislation will cover them and I'm saying that's fine, I have no problem with

that, but then it's going to cover everybody because there is no real difference between a regulated operator and a supplier who holds himself out as a regulated operator because what is the difference? There's no qualification to be a regulated operator. All there is is an obligation that accrues to everybody.

Mr Tascona: But in terms of how they represent themselves, that is regulated under section 49. That's what's important here in terms of how their conduct is regulated. It is regulated.

Mr Kwinter: Mr Crozier is a loan broker and I'm a loan broker. I hold myself out as a loan broker and I say, "I'm a regulated loan broker." He holds himself out not as a regulated loan broker, but he's still covered by this legislation. The point is, why am I a regulated loan broker and he isn't? The only differentiation is that we are covered by this legislation, but I can't put on a business card that I'm a regulated loan broker. If I do that and I say that to you, it's consumer fraud, because I am saying, "I'm a regulated loan broker." There is nothing to prevent him from saying, "I'm also a regulated loan broker. If you can be one, I can be one." That's all I'm saying. I think this really misrepresents what this person is. I can tell you that if you say you are regulated, it gives a consumer the fact that somehow or other you're accountable to some government regulatory body.

Mr Tascona: Mr Kwinter, that point is well taken. The fact of the matter is that they have categorized who the regulated operators are. Let's separate that from whether their conduct is regulated. They're categorized and there's an explanation about who it covers, but also their conduct, which I think is your concern—the public wants to know and be confident and satisfied that their conduct will be regulated—is assured under section 49.

The Chair: Any further debate?

All in favour of the amendment, as proposed? Any opposed?

Mr Sampson: Sorry, I was not paying attention.

The Chair: Could I have a show of hands, please? All in favour of the amendment? All opposed? Carried.

Shall section 44 of schedule A, as amended, carry? Carried.

Sections 45 and 46 have no amendments. Shall they carry? Carried.

Section 47: a government amendment.

Mr Beaubien: I move that subsection 47(1) of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be amended by striking out "required under section 45." I think this just deals with the cooling-off period again, as we've dealt with in previous amendments.

The Chair: Is there any discussion of this amendment?

All in favour? Opposed? Carried.

Shall section 47, as amended, carry? Carried.

Section 48: a government amendment.

Mr Beaubien: I move that section 48 of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be struck out and the following substituted:

"Officers, directors

"48. The officers and directors of a regulated operator are jointly and severally liable for any remedy in respect of which a person is entitled to commence a proceeding against the operator."

The Chair: Any comment?

Mr Kwinter: I see that you've taken out "that is a corporation." I'd like an explanation why, just because somebody incorporates themselves, they're not subject to the same provisions.

1140

Mr Tascona: Well, it gives broader protection because it doesn't limit it to a corporation. As a businessman you'd be aware that there's more than an operating entity. As a corporation you can be a partnership. It doesn't have to be a corporation. You can be a sole proprietor. So it gives broader coverage and protection.

The Chair: Further comment?

In favour of the amendment? Opposed? Carried.

Carried section 48 of schedule A, as amended, carry?

Shall section 49 of schedule A carry? Carried.

Shall sections 50, 51, 52 and 53 carry? Carried.

Section 54: there is a government motion.

Mr Beaubien: I move that section 54 of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be amended by adding the following subsection:

"Exceeding estimate prohibited

"(2) No repairer shall charge, for work or repairs for which an estimate was given, an amount that exceeds the estimate by more than ten per cent."

The Chair: Any comment on the amendment?

Mr Bisson: What's the remedy?

Mr Tascona: Well, what it is, Mr Bisson, is—

Mr Bisson: No, I want to know what the remedy—I know what you're trying to do. I'm asking, what's the remedy? I go to my auto repair shop and they give me an estimate for a thousand bucks, and all of a sudden it's gone up to \$2,000. What's my remedy?

Mr Tascona: The remedies are what are provided under the statute in terms of dealing with that type of conduct, but in terms of dealing with that, they're going to be restricted to that 10%.

Mr Bisson: I just want to know the remedy.

Mr Tascona: The remedy is that you can have a civil remedy or there are also repercussions under the act with respect to enforcement for that type of conduct.

Mr Bisson: And also arbitration.

Mr Tascona: Yes. Whatever is in the statute. This is a civil matter between two parties. What, basically, we're saying is if you're going to give that kind of estimate, you're going to be restricted to the 10%. I take it that the individual who did the work and whatever may want to get more, but they're not going to get any more because it will end up—obviously, it could end up in a civil action if some party decides to do that. But the other side of the coin is that it's protected under this statute in terms of this being conduct that's not permitted. There are

remedies under the statute, but there's also a matter between individual parties that could result in some court action, obviously.

The Chair: Mr Sampson, before we go to Mr Crozier.

Mr Sampson: I understand that it's already 10%.

Mr Tascona: Yes, there's a global 10% under section 10, but to reinforce and make this statute—we want to make sure that it's covered, so we've added a subsection to make sure that you don't get into an interpretation in front of a judge saying, "Well, the fact that you omitted it there must mean it doesn't apply."

Mr Sampson: So right now, current law—you could charge 10% more than the estimate and ask for payment.

Mr Bisson: But you go to small claims.

Mr Tascona: It depends how much the amount is.

Mr Sampson: Gilles's point around remedy: I'm just asking what the current law is. You're just saying, "I'm adding that to another section to further emphasize." Is that what you're doing?

Mr Tascona: Yes. That's correct.

Mr Bisson: That was my point: under the law that exists, if I go to the bodyman and he gives me a 100% increase on the bill, I'd bring it to small claims. Correct?

Mr Tascona: It depends on how much. Small claims is only \$10,000.

Mr Bisson: I thought we had lowered it.

Mr Tascona: No, we raised it to \$10,000. There's also an expedited procedure up to \$50,000—above that.

Mr Bisson: Yes. I thought you meant to say there was a threshold of \$10,000 to get into court.

Mr Tascona: Yes. The maximum you can sue under small claims is \$10,000.

Mr Bisson: No, I misunderstood the inverse. Excuse me. Currently, if I bring in \$1,000 excess in the bill, I can go to small claims.

Mr Tascona: Correct.

Mr Bisson: My point, and what I'm trying to clarify, is what this would do is give me extra ability to go before the courts and say under the new law—

Interjection.

Mr Bisson: I'm just waiting till he gets an explanation before I get to my point.

Mr Tascona: It's only for motor vehicles—the current law.

Mr Bisson: Yes, but what I'm asking is this: under current law, for whatever reason, I get an estimate and it's 100% more than what it should have been. Currently, I go to small claims. If I understand correctly, what you're doing here would give me a legal statute that would basically say to the judge, "He couldn't have gone over by more than 10%, therefore I find for the person who brought the motion forward." This gives me increased protection?

Mr Tascona: I think you could interpret it that way, in terms of if you want to use a statute with respect to that particular provision. You could plead a statute and say, "That's the protection I want." A lot of times there are more facts than just that.

The Chair: Mr Sampson?

Mr Sampson: Yes. It's non-paid political advertising here. Better protection for the consumer would be for the House to carry third reading of the auto repair bill that's before it, which would allow for auto repair shops to actually be decertified should they violate any of the rules that we're establishing.

The Chair: Any further comments?

Mr Tascona: I think we're also referring to section 93, in terms of your question of remedy, Mr Bisson, if you want to listen to me. Section 93 says:

"(1) If a supplier has received a payment in contravention of this act, the consumer who made the payment may demand a refund of the payment by giving notice in accordance with section 88 within one year after making the payment.

"(2) A supplier who receives a notice demanding a refund of a payment that was received in contravention of this act, shall refund the payment within the prescribed period of time.

"Right of action

"(3) The consumer who made a payment that was received in contravention of this act may commence an action to recover the payment in accordance with section 95."

Mr Bisson: If you'd care to listen to me now—

Mr Tascona: How many times do you want me to explain the same point?

The Chair: Hang on. Mr Bisson.

Mr Bisson: Oh, come on. What's your point?

Mr Tascona: I'm listening to you.

Mr Bisson: Piss off.

Mr Tascona: Forget it. Let's go ahead.

The Chair: Gentlemen, leave the personalities out of it, OK?

Mr Bisson: No, if you come here and you have a question, it's like—duh.

Mr Tascona: Mr Bisson, I'm here to listen to your questions. If you want to act like that, go right ahead. I'm here to listen to you.

The Chair: Order. No further comment; I'm going to call the question.

Mr O'Toole: Mr Spina, I just have one question. If I look back, it's unfortunate we haven't had a thorough briefing of this important consumer protection, but under section 18 it actually talks about remedies. It's quite clear, the recourse to the Superior Court of Justice. Is this implied in this section as well? You know the recourse isn't just a civil action. It specifies you go to the Superior Court of Justice.

Mr Tascona: What section are you referring to?

Mr O'Toole: Eighteen. It talks about commencing an action and remedies if necessary, because you referred to section 10, which also very clearly specifies the 10%. It's just clarification, as I understand it, this amendment we are dealing with.

Mr Tascona: That's dealing with an unfair practice, John.

Mr O'Toole: I'm not sure. You're referring to section 10—

Mr Tascona: Section 18, I believe.

Mr Bisson: You'd better listen, or we won't get out of here.

The Chair: Order.

Mr O'Toole: I'm just trying to understand. There's consistency of what remedies or recourse—

Mr Tascona: Gilles, I still love you. That's not the problem.

The Chair: Mr Tascona, you have another question on the table.

Mr Tascona: Thank you.

The section you were referring to was 18, wasn't it?

Mr O'Toole: Yes. I'm only trying to say, if you refer, in this case here, the 10% was covered under section 10, right? Ten per cent in excess of any quote?

Mr Tascona: Yes. Section 10, Estimates.

Mr O'Toole: So if that's implied in the rest of schedule A, would the—

Mr Tascona: John, we don't want it to be implied. In certain areas you want to strengthen it to make sure the protection is there. That's the reason why it was put under section 54.2, to make sure it was definitively there.

Mr O'Toole: I won't prolong this, because we are just looking for remedies. That was going to be the question.

Mr Tascona: There are a lot of remedies in the statute. That's why I tried to point out to Mr Bisson very clearly, with respect to that particular section, where that remedy is, in that specific situation how you could deal with that, getting that refund over the 10%. But in terms of putting that 10% there, it's just to reinforce. Rather than to say, "OK, it's implied," section 10 is implied everywhere. That really reinforces it expressly.

1150

The Chair: Any further discussion?

All in favour of the amendment? Opposed? Carried.

Shall section 54 of schedule A, as amended, carry? Carried.

We have no amendments for sections 55, 56, 57 and 58. Shall those sections carry? Carried.

Section 59: we have an NDP amendment. Mr Bisson, amendment number 20.

Mr Bisson: I move that subsection 59(1) of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be amended by striking out "for a minimum of 90 days or 5,000 kilometres" and substituting "for a minimum of 180 days or 10,000 kilometres".

The Chair: Is there any comment on that, sir?

Mr Bisson: Well, it's fairly straightforward. I'll see what my friend Mr Sampson has to say.

Mr Sampson: What's the current law?

The Chair: Mr Tascona or someone from the ministry?

Mr Tascona: The bill carries forth the current law unchanged, which is 90 days or 5,000 kilometres.

Mr Bisson: Sorry, I didn't hear you.

Mr Tascona: Sorry. The current law carries forth what's in the statute here. That's what you're seeking to amend, to go from 90 days to 180 days, and from 5,000 kilometres to 10,000.

The Chair: Further discussion?

Mr Sampson: What's the standard of practice now in the industry? This is the minimum, right? Presumably somebody could warranty for higher than that. So what is the standard? If I go out to Joe's Auto Mechanic, what am I likely to get as a minimum warranty for a rebuilt—

Mr Tascona: I would say that I don't have an answer to that. I would imagine it would differ, whatever shop you went to, in terms of while they do business.

Mr Sampson: But I guess my point is, these days you plunk a lot of cash down for major repairs. It's not an insignificant amount of money. Ninety days is not all that long a time and 5K these days may be back and forth to the House a couple of times. You'd have to live in the GTA. You can put 5K on pretty fast. I'm just wondering if there is any way we can find out.

Mr Bisson: The other thing as well is that if you look at vehicles today, they're built in a way that we keep them a heck of a lot longer and put a lot more miles on them than we used to in the past. We're putting 300,000 and 400,000 kilometres on cars.

Mr Sampson: Where did you guys get the—

Mr Bisson: My understanding from David was that it was in conversation with some of the presenters who came forward. That's as I understand it. I wish he was here.

Mr Sampson: Well, we never had any presenters on this. It may have been under my private bill, when it came forward.

Mr Tascona: And I understand. This was brought forth this morning?

Mr Bisson: That was it, yes.

Mr Tascona: Obviously, we're not in a position to respond and say what the consumer practice is. Obviously, there wouldn't have been that kind of consultation in terms of changing it on this, since we just got it here this morning.

Mr Sampson: Can I move that the committee consider unanimously standing this down to hear it at the back end?

The Chair: Do we have unanimous consent on this amendment?

Mr Sampson: In the interim, the ministry can come back and tell us what their knowledge is on the jurisdictions and—

The Chair: I caution you that in giving unanimous consent, under the terms of the time allocation, you will not be able to get a response after 4 o'clock.

Mr Sampson: That's fine. So sometime before 4 maybe we should agree as a committee to go back to this item.

The Chair: Is it agreed to postpone it until we get back?

Mr Tascona: All we can do is give our best efforts. You're talking about consumer practice.

Interjections.

The Chair: OK. All right.

Mr Tascona: One second here. Rob, to be fair, Gilles's amendment is obviously with good intent, and

the practice out there is obviously what we consider to be the fair minimum. To ask us what happens out there across the industry is not a fair question, because it could vary. We're trying to be co-operative here, but the bottom line is it could vary from one street to another in terms of how they do business. I doubt very much you'll find a standard.

Mr Sampson: Southern Ontario [inaudible] every street in the province, so you have until 4 o'clock to find out.

Mr Tascona: Let's put it this way, Rob: what we're talking about here is regulated, remedial legislation trying to set minimum standards. This is the base, OK? Hopefully people do it above that. We're talking the base here.

Mr Sampson: I understand that.

The Chair: Then the first item when the committee resumes this afternoon will be the deferred discussion in response to this amendment. Agreed? Agreed. That one stands down.

Sections 60, 61, 62 and 63 have no amendments. Shall those sections of schedule A carry? Carried.

Section 64: we have a Liberal amendment.

Mr Crozier: With regard to schedule A of the bill, section 64 of the act, I move that subsection 64(1) of the of the Consumer Protection Act, 2002, as set out in Schedule A to the bill, be struck and the following substituted:

"Agreement for credit card

"64(1) Despite section 13, a consumer who applies for a credit card without signing an application form shall be deemed to have entered into a credit agreement with the issuer with respect to the card on first using the card."

The Chair: Any discussion? Explanation?

Mr Crozier: If I might, you really do have to look at the next amendment to get the full context. This is to say that if you agree to receiving a card over the phone, the Internet or whatever, and then use the card, that would complete the agreement. Like section 13, where you can receive unsolicited goods, you can go ahead and use those goods and you're not responsible for them if they're unsolicited. I'm trying to do the same thing with credit cards. If you receive an unsolicited credit card, you are not responsible for it, even if you use it. It's to stop the widespread indiscriminately mailing out of unsolicited credit cards.

Mr Bisson: That's a great issue, because as we all know, we're seeing that—I've had complaints in my constituency office, where people are finding out that other people are applying for credit cards. I had one case just last week where the fellow got a call from Visa saying, "Do we understand correctly that you wrote a cheque for \$25,600 on your new line of credit and is that OK?" at which point the guy didn't know he had a line of credit with the Visa card. So I'm all for this one.

Mr Sampson: How, then, does the existing section 13 conflict or not conflict with section 64? Isn't a credit card a good or a service?

Mr Crozier: I used section 13 as an example.

Mr Sampson: I know, but I'm just wondering why that doesn't conflict with section 64 anyhow.

Mr Tascona: It doesn't. It overrides 13.

Mr Sampson: So for other goods and services, you can get them delivered and use them and not be obligated to pay for them, but for credit cards it's something different?

Mr Tascona: Well, there have always been credit cards. It's different, that's correct. I think the amendment here is a narrowing of what is currently the law out there with respect to the part you're looking to take out.

Mr Crozier: Absolutely narrowing. All that would have to happen, I suspect, is that a few people start to use those things and there would no longer be any unsolicited credit cards.

1200

Mr O'Toole: I had a personal experience—and this seems like a very humble way to look at this. I was at a golf tournament and I signed an entry form for a draw. Eventually, I got a credit card with a \$64 charge on it. Here's the point. The way this reads now, the \$64 charge was the annual fee for the card, but I never signed the agreement for a credit card, or at least I didn't understand I had. But they said I had agreed by having the charge to become a member of this golf links program. I had to squirm to get out of it, do you know what I mean?

Mr Sampson: On that example, if Bruce's amendment gets carried—

Mr O'Toole: It won't help me.

Mr Sampson:—it wouldn't help.

Mr O'Toole: Because a transaction was deemed. It deemed I had entered into an agreement. Again, this is a personal thing, but I ended up with a frigging credit card with a charge of \$64 on it for entering a draw. When I questioned it formally, I finally found out where the hell it came from—I thought it was one of my kids—and they said, "Well, you entered your name in a draw." I think my name was entered for me.

Mr Tascona: Just a comment on that, Bruce, if I could—

Mr O'Toole: I agree with the point Bruce is making—

Mr Tascona: Yes. The current law is what we put in here, and there's no evidence that it hasn't worked, but John's point—and that's why I asked you that, Bruce—does narrow the protection. At least I've had that happen to myself in terms of getting a card that I never applied for. They just send it to you, because they obviously have information that you're a decent credit risk and they send it to you. So that's why it's broader, the protection under that section, versus yours. It's a greater protection.

Mr Sampson: I want that explained, Joe, because I don't read it that way.

Interjection: Neither do I.

Mr Tascona: Well, I'll read it for you, Rob. It says, "a consumer"—obviously you're bankers and lawyers.

Interjections.

The Chair: Mr Tascona has the floor to explain this.

Mr Tascona: OK. You haven't been reading the fine print lately, Rob. It says, "a consumer who applies for a credit card without signing an application form"—that's the first part, and that's what Bruce is keeping in. The other point, where John's making his point, is, "or who receives a credit card from a credit card issuer without applying for it"—so it covers both situations: one where you've applied and the other part where you haven't applied and they send it to you, "shall be deemed to have entered into a credit agreement with the issuer with respect to the card on first using the card."

Mr Sampson: Right. Bruce is saying, "it shall not have been deemed"

Mr Bisson: It's a big difference.

Mr Tascona: Yes, "shall be deemed," and then (2) goes there and says, "A consumer described in subsection (1) is not liable to pay the lender any amount in respect of the credit card received in the circumstances described in that subsection until the consumer uses the card."

Mr Crozier: It's tough to discuss two motions when only one's on the floor, but the next motion—

Mr Tascona: It really shall be deemed, sorry.

Mr Crozier:—really broadens it out because the next motion says that if you didn't solicit it, then there's an irrevocable presumption that the consumer did not enter into an agreement and the consumer is not liable. So it really—

Mr Tascona: But you're using the same language: "it shall be deemed."

Mr Crozier: It's not my language, it's some lawyer's.

Mr Tascona: I know, but it says, "shall be deemed." It's using the same language except for the disjunctive. He says, "narrowing the protection under 64(1)" and then goes in (3) to try to strengthen that particular provision.

Mr Sampson: I think the difference between the current draft and the amendment as proposed is that if you use the card under Bruce's amendment, you're still not liable. Yours says if you use the card, you are deemed to have accepted some conditions attached to the card and so therefore you are liable for it.

I must admit I'm somewhat closer to Bruce's side. You're getting something unsolicited; you don't know the terms and conditions. I agree that maybe there are those who say, "Well, you've used it, so therefore you've accepted some implied terms," but in John's example, they may have said, "Well, you used it because there is a charge against it." It was that membership thing, and I think that's pokey. If you are sending—as a corporation, as a bank, as a credit agency—cards out for people to use, there is a commercial risk you're taking, and that is that they'll use it. I think you've got to take that risk unless you clearly establish the terms and conditions under which you propose to have them use that card.

I must admit I'm leaning toward Bruce's version that says, "Look, lender or creditor, you're still not off the hook for making sure the guy who uses it knows what the heck it's for and the terms and conditions under which you would be using it. Until you establish that, until you clarify that, you're on the hook."

The Chair: We have 30 seconds before we recess.

Mr Tascona: Yes, and in the break maybe Mr Sampson and Mr Crozier can read section 66.

The Chair: Sorry?

Mr Tascona: They can read section 66. That might assist.

The Chair: You're referring everyone to section 66?

Mr Tascona: Yes, to read it. I'll repeat that, Mr Chairman: section 66 will provide an explanation for some further protection.

Mr Crozier: That just talks about statements.

Mr Tascona: No, but it's further protection.

Mr Crozier: It's use we were talking about. OK, I'll read it.

Mr Tascona: No, but it does provide further protection.

Mr Crozier: Even further beyond mine.

Mr Tascona: Yes.

Mr Crozier: Yes.

The Chair: Any further discussion on this?

Mr O'Toole: Well, I personally believe we need some clarification. I believe, and I'll say it clearly, that Mr Crozier's interpretation or proposed amendment here satisfies clearly that there has to be more than those two actions occurring before the actual card and I become liable. Could we stand this one down? I seek unanimous consent.

Mr Tascona: Yes, it's down right now.

The Chair: Well, do you want to defer this, then?

Mr O'Toole: Yes.

The Chair: This will be the second item on the agenda at 3:30, then. Is that correct?

Mr Tascona: Why would you defer? We're coming back. Deal with it when we come back.

The Chair: Because the other item that's been stood down is the first item on the agenda, by unanimous consent, therefore this would have to follow that.

Mr Tascona: I follow you, Mr Chairman. I got you.

The Chair: We shall recess until the House allows us to come back.

Mr Tascona: What's the next room, Chair?

The Chair: We will be moving to 151, since this room is being used for other purposes.

The committee recessed from 1207 to 1543 and resumed in room 151.

The Chair: The committee will come to order. Under an agreement that we had earlier, we have deferred discussion on NDP amendment number 20. Is there any further discussion on this before a vote?

Mr Sampson: I don't have a copy of that amendment here, but it was the one that was 60 or 30 days or whatever. I would like the unanimous consent of the committee to move an amendment to that amendment.

The Chair: Do we have unanimous consent? Agreed.

Mr Sampson: These are actually two amendments. I move that subsection 59(1) of the Consumer Protection Act, 2002—

Mr Tascona: It's not an amendment to our amendment; it's an amendment to what was proposed in the

bill. We're not amending his; we're amending the bill. Subsection 59(1) is what's being amended.

Mr O'Toole: You can still do an amendment to the amendment.

Mr Sampson: And we'd carry this and it would, in my view, supersede—

Mr O'Toole: And then you have to pass the amendment.

Mr Sampson: Right.

The Chair: Wait a minute. Back up. There was an amendment on the table, and that's under discussion. That was Mr Bisson's amendment. Are you proposing an amendment to that amendment, or is it something else?

Mr Tascona: It's something else.

Mr Sampson: Well, it could be cast as an amendment to the amendment.

Mr Tascona: It isn't.

The Chair: Then the unanimous consent will stand.

Mr Sampson: What I'm trying to do is move the minimums that were referred to in the NDP amendment to regulation-making authority, so that different minimums could conceivably be set for different amounts of repair, which I think is the intent of what I was trying to argue and I think the intent of what Mr Bisson was trying to argue with his original amendment. That can be done in two ways: by taking out the references to the 90 days and 5,000 kilometres or by moving a completely new amendment that deals with the current section of the bill.

Mr Tascona: Could I assist here?

Mr Sampson: You can do whatever you want, Joe.

Mr Tascona: OK. What we have here in the bill—it's subsection 59(1). It's for a minimum of 90 days or 5,000 kilometres. What is being proposed, if I may, is to add the language "or for such greater minimum as may be prescribed." That would be the amendment to the current language of the statute.

Mr Sampson: If Mr Tascona would like it this way, I can do it this way. All I'm asking for is the unanimous consent of the committee to consider a new amendment to subsection 59(1) of the current bill.

The Chair: OK, then the procedure is that we must deal with the NDP amendment first and then you can seek unanimous consent at that point.

Mr Sampson: Fine.

The Chair: So we will address Mr Bisson's NDP amendment now. Is there any discussion on that? Then I will call the question.

Those in favour of the NDP amendment? Opposed to the NDP amendment? The NDP amendment is now defeated.

Mr Sampson: I ask unanimous consent to table a new amendment on subsection 59(1).

The Chair: Do we have unanimous consent? Agreed.

Mr Sampson: I move that subsection 59(1) of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be amended by adding "or for such greater minimum as may be prescribed" at the end.

Mr Tascona: There's another. Keep going.

The Chair: Have you submitted that to the clerk? You have a copy for the clerk, right? Can you circulate it?

Mr Sampson: I have a copy for the clerk.

The Chair: Thank you. Mr Tascona?

Mr Tascona: You have to change the regulation powers of the Lieutenant Governor to specifically prescribe to what we're doing, so there's another amendment, and that's to the Lieutenant Governor's regulation powers.

Mr Sampson: That will come after this one.

Mr Tascona: Yes.

The Chair: OK, is there any discussion on this amendment? All in favour? Opposed? Carried.

Mr Sampson: I ask consent to move another amendment.

The Chair: Do we have unanimous consent for a second? We have it.

Mr Sampson: I move that subsection 118(7) of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be amended by adding the following clause:

"(f) prescribing the minimum warranty for new and reconditioned parts and for labour for purposes of subsection 59(1)."

The Chair: While we're waiting for that, if I may just interject procedurally here, since your amendment is for a different section, I must ask, shall section 59 of schedule A, as amended, carry? Is that correct?

Mr Sampson: That's right.

The Chair: Thank you. Shall section 59 of schedule A, as amended, carry? Any opposed? Carried.

To what section is this amendment that you have proposed?

Mr Sampson: Section 118 of the Consumer Protection Act, 2002. Do you want me to move it again, Mr Chair?

The Chair: Yes, please.

1550

Mr Sampson: I move that subsection 118(7) of the Consumer Protection Act, 2002, as set out in schedule A to the bill, be amended by adding the following clause:

"(f) prescribing the minimum warranty for new and reconditioned parts and for labour for purposes of subsection 59(1)."

The Chair: Any discussion on that amendment?

Mr Kwinter: Is this a new amendment?

Mr Sampson: Yes, it establishes the right-making authority—

Mr Kwinter: No, there's no problem. I have no problem with it. I'm just saying that what it should really be is 118(7)(f), because 118(7) is the authority of the Lieutenant Governor.

Mr Sampson: That's what it's doing.

Mr Kwinter: But under that, there are all sorts of qualifications: it goes (a), (b), (c), (d), (e)—

Mr Sampson: It does say "(f)." Sorry, maybe you didn't hear it. I did say "(f)."

Mr Kwinter: It doesn't say that on the—

Mr Sampson: I'm sorry. I read it as "(f)" and it does say "(f)" on my sheet, so it is clause (f).

Mr Kwinter: OK, that's fine. It says "(f)."

The Chair: All right. Is there any further discussion on this proposed amendment?

All in favour? Opposed? Carried.

Mr Tascona: I just want to make one quick comment for the members with respect to the CAA. They have much higher standards. They have one year and 20,000 kilometres, and that covers about 30% or 40% of their members. So there are standards higher than what we've been talking about here today.

The Chair: Thank you, sir. We will now refer to the second item that was deferred. That was Liberal amendment 20A and, by discussion, 20B, but we'll address each one. Mr Crozier?

Mr Crozier: I think I've said it. I want to move toward eliminating unsolicited credit cards, the same as we do with goods and services. They wouldn't be responsible for using unsolicited credit cards.

The Chair: Was there any further comment on that amendment?

Mr Tascona: I wanted to speak to it, if I could. The motions address consumer liability when they've applied for a credit card without signing an application and for unsolicited credit cards. First, it's useful to be clear about what is and isn't within the authority of the province. Most credit cards, ie Visa, MasterCard etc, are issued by banks, which are governed under the federal Bank Act and the cost-of-borrowing regulation. Bill 180 governs credit cards issued by other lenders, such as finance companies and retailers. The bill's approach to credit, including liability for unsolicited credit cards, is based on a nationally harmonized standard agreed to by all Canadian provinces, territories and the federal government. This standard was developed after extensive consultation with consumer groups and lenders.

If unsolicited credit cards are a concern, the harmonization agreement allows jurisdictions to simply ban their distribution. However, Ontario does not have any evidence that the bill's proposed approach is unsatisfactory, and we have 36 years of experience with these rules already. The bill already protects consumers in several ways on the subject. Section 64: a consumer who receives a card without applying for it or without signing an application has no liability unless they use the card. Section 65: a consumer is protected against liability for unauthorized use of their credit card. Section 66: a consumer is not liable to pay any part of the cost of borrowing if they didn't receive the required disclosures or any part of the cost of borrowing over what was properly disclosed. Section 75: lenders must give disclosure statements with required information.

These provisions mean that if a consumer gets an unsolicited credit card and never uses it, they are not liable for anything. If someone else uses the card, their liability is limited. If they use it, they are liable, for example, to repay the money they borrow, but if they didn't receive the required disclosures, they are still obligated to pay the cost of borrowing. Hidden charges or fees can't be collected.

The amendment 64(3) proposes to free a consumer who gets an unsolicited credit card from all liability. This is broader than whether the consumer has entered an agreement. This amendment would free the consumer from having to repay any money borrowed under the card.

The Chair: Any discussion? Mr Crozier? Keep in mind the time frame you're dealing with.

Mr Crozier: I understand all of that. If the committee wants to join me in curtailing or eliminating unsolicited credit cards in the mail or any other way, they'll support the amendment.

Mr O'Toole: We're quite sympathetic, from my discussions, with this motion for the reasons you've described. However, the implication is that someone realizing this exemption could still get an unsolicited card, cash it in for the credit limit, which could be \$5,000 or whatever amount, and then claim that they hadn't entered into an arrangement.

There must be some other language. Not to prolong this, but it is a consumer protection issue, we can say there must be a process to activate the card and, upon activation of the card you would be entering into an informed agreement.

Mr Beaubien: There is a process, though.

Mr O'Toole: I can understand that that's implied somewhere in another section. Two of my children graduated from university and they automatically got in the mail, from the alumni society, I guess, their American Express card. They still have to activate the card. When they activate the card, if it specifies "Have you read the agreement?" or whatever, then it's a contract. They've actually taken some action with this unsolicited mail. Do you understand?

I understand that whether it's alumni associations or whoever using this as a tool to raise revenue—I wouldn't want to discourage that, although it's clear in yours that it would be dead once the institutions found out that they're liable for everything. I think I've made my point.

Mr Kwinter: I just wanted to get a reply from Mr Tascona. I understand what you're saying. But on the issue that we discussed earlier today, I'd like to know whether it's covered in what you read. That is when someone sends a card that's unsolicited and there's a fee attached to it, and whether you use it or not, that fee is due and payable. I had a situation where I got an unsolicited card and they wanted to bill me \$180. I sent it back to them. I said I didn't want it and I'm not paying it. They then sent me a bill—and it kept coming for about five months even though I kept calling them—saying that I owed the interest on the \$180 over that period of time. It was \$3.20 and unless I paid it my credit rating was going to be destroyed. I kept calling them and calling them. They said, "Don't worry, don't worry," and I kept getting this thing.

My question is, when you talk about charges, does this cover those particular fees that come with a credit card that you're liable for whether you use it or not?

The Chair: One minute, sir.

Mr Tascona: I understand your question. The answer to that is no you wouldn't have to pay the fee. If you look at section 64, you have no liability unless you use the card. Since you haven't used the card, you wouldn't be liable for any fee.

Interjection.

Mr Tascona: Section 64, schedule A.

The Chair: Thirty seconds, Mr Beaubien.

Mr Beaubien: I am very sympathetic with what Mr Crozier is trying to introduce, but I think maybe that could be something for another day. Here we're talking about protecting the consumer. In Mr Crozier's amendment, I think he's trying to stop all the unwanted soliciting by banks or financial institutions. I don't know whether this should be part of this bill. The bill here is trying to protect the consumer in case they get a card. I'm not saying there is no validity in what he is trying to achieve—I think there is an awful lot—but maybe that's something that should be considered somewhere else, some other day.

1600

The Chair: It being now 4 of the clock, all debate will cease and all motions will be deemed to have been moved. We will now address each of the amendments and sections of the bill directly in terms of the vote.

We will begin with Liberal amendment 20A by Mr Crozier.

Mr Crozier: Recorded vote.

The Chair: A recorded vote has been asked for. Recorded votes that are requested will be postponed till the end, so you all understand that. Do you still request a recorded vote?

Mr Crozier: What do you mean? No, I don't understand.

The Chair: If there is a recorded vote requested, it is deferred to the end of all the amendments.

Mr Crozier: On that motion?

The Chair: On that motion.

Mr Crozier: Yes, still.

The Chair: OK. Recorded vote requested, so that will be deferred.

Item 20B, which is another amendment from the Liberals.

Mr Crozier: Recorded vote.

The Chair: The recorded vote will be deferred to the end. So that means section 64 will be deferred as well.

Sections 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88—

Mr Beaubien: Not 88.

The Chair: Sorry, not 88—yes, 88, because the first amendment is 88.1.

Mr Sampson: Yes, you're right.

Mr Beaubien: OK.

The Chair: Shall sections 65 to 88, inclusive, of schedule A carry? Carried.

Now we shall deal with the next item, which is government amendment 21 to section 88.1. All in favour? Carried.

Shall section 88.1 of schedule A, as amended, carry? Carried.

We have sections 89, 90, 91, 92, 93 and 94 with no amendments. Shall those sections of schedule A carry? Carried.

Section 95: we have government amendment number 22. In favour? Any opposed? Carried.

Shall section 95 of schedule A, as amended, carry? Carried.

Shall section 96 of schedule A carry? Carried.

Section 97: government amendment to 97(1.1) and 97(1.2). Shall that amendment carry? Carried.

Shall section 97 of schedule A, as amended, carry? Carried.

Section 98(2): shall amendment 24 by the government carry? Carried.

Amendment number 25 by the NDP. All in favour? Opposed? Defeated.

NDP motion number 26. All in favour? Opposed? Defeated.

NDP motion number 27. All in favour? Opposed? Defeated.

NDP motion number 28. All in favour? Opposed? Defeated.

Shall section 98 of schedule A, as amended, carry? Carried.

Shall section 99 of schedule A carry? Carried.

There is a government amendment number 29, to section 100. All in favour? Opposed? Carried.

Shall section 100 of schedule A, as amended, carry? Carried.

Shall section 101 of schedule A carry? Carried.

Government motion number 30 to section 102. All in favour? Opposed? Carried.

Shall section 102 of schedule A, as amended, carry? Carried.

Shall sections 103 and 104 of schedule A carry? Carried.

Government motion 31 on section 105(2)(a). All in favour? Opposed? Carried.

Shall section 105 of schedule A, as amended, carry? Carried.

Shall sections 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116 and 117 of schedule A carry? No one opposed? Carried.

Section 118: we have one amendment already approved, and we have two further government amendments.

Number 32. All in favour? Opposed? Carried.

Government motion number 33. All in favour? Opposed? Carried.

Shall section 118 of schedule A, as amended, carry? Carried.

Shall sections 119 and 120 carry? Carried.

Shall schedule A, as amended, carry? Carried.

We now go to schedule B, amendments to the Motor Vehicle Dealers Act.

Government motion number 34. All in favour? Opposed? Carried.

Shall section 1 of schedule B, as amended, carry? Carried.

Shall sections 2, 3, 4 and 5 carry? Carried.

Section 6: government motion number 35. All in favour? All opposed? Carried.

Government motion 36. In favour? Opposed? Carried.

Shall section 6 of schedule B, as amended, carry? Carried.

Shall sections 7 and 8 of schedule B carry? Carried.

In section 9, we have government motion number 37. All in favour? Opposed? Carried.

Shall section 9 of schedule B, as amended, carry? Carried.

Shall sections 10, 11, 12 and 13 of schedule B carry? Carried.

Section 14: government motion 38. All in favour? Opposed? Carried.

Shall section 14 of schedule B, as amended, carry? Carried.

Section 15: government motion 39. All in favour? Opposed? Carried.

Government motion number 40. In favour? Opposed? Carried.

Shall section 15 of schedule B, as amended, carry? Carried.

Government motion number 41 on section 15.1. In favour? Opposed? Carried.

Shall section 15.1 of schedule B, as amended, carry? Carried.

Section 16: government motion number 42. In favour? Opposed? Carried.

Shall section 16 of schedule B, as amended, carry? Carried.

Government motion 43. In favour? Opposed? Carried.

Shall section 17 of schedule B, as amended, carry? Carried.

Shall section 18 of schedule B carry? Carried.

Government motion number 44 on section 19. In favour? Opposed? Carried.

Shall section 19 of schedule B, as amended, carry? Carried.

Shall section 20 of schedule B carry? Carried.

Shall section 21 of schedule B carry? Carried.

Government motion number 45 on section 22. All in favour? Opposed? Carried.

Shall section 22 of schedule B, as amended, carry? Carried.

Shall sections 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42 and 43 of schedule B carry? Carried.

We have government motion number 46 on section 44.1. All in favour? Opposed? Carried.

Government motion 47. In favour? Opposed? Carried.

Government motion number 48. In favour? Opposed? Carried.

Shall section 44 of schedule B, as amended, carry? Carried.

Shall sections 45 and 46 of schedule B carry? Carried.

Shall schedule B, as amended, carry? Carried.

1610

We now go to schedule C: amendments to the Real Estate and Business Brokers Act.

Shall sections 1, 2 and 3 carry? Carried.

Section 4: government motion 50. All in favour? Opposed? Carried.

Interjection.

The Chair: Sorry, I missed one amendment. My apologies. We'll have to go back to section 1 and ask for a vote on government motion 49. In favour? Opposed? Carried.

Can we now ask that section 1, as amended, carry? Carried.

I apologize for my oversight.

Shall section 4 of schedule C, as amended, carry?

Mr O'Toole: Have we done 50?

The Chair: Yes, we did 50.

Mr O'Toole: I don't know whether we voted on it.

The Chair: You did vote on it. I'll call that motion again, to be sure.

Government motion 50. All in favour? Opposed? Carried.

Shall section 4 of schedule C, as amended, carry? Carried.

Section 5: Liberal motion 50A. All in favour? Opposed? Defeated.

Liberal motion 50B. All in favour? Opposed? Defeated.

Shall section 5 of schedule C, as amended, carry? Just a moment. There is no amendment because we defeated them. Thank you.

Shall section 5 of schedule C carry? Carried.

Shall sections 6, 7, 8 and 9 of schedule C carry? Carried.

In section 10 we have government motion 51. In favour? Opposed? Carried.

Government motion 52. In favour? Opposed? Carried.

Shall section 10 of schedule C, as amended, carry? Carried.

Shall sections 11, 12 and 13 carry? Carried.

Section 14: government motion 53. All in favour? Opposed? Carried.

Shall section 14 of schedule C, as amended, carry? Carried.

Shall sections 15, 16, 17 and 18 of schedule C carry? Carried.

Section 19: government motion 54. All in favour? Opposed? Carried.

Shall section 19 of schedule C, as amended, carry? Carried.

Section 20: government motion 55. All in favour? Opposed? Carried.

Government motion 56. In favour? Opposed? Carried.

Shall section 20 of schedule C, as amended, carry? Carried.

Section 21: government motion 57. In favour? Opposed? Carried.

Government motion 58. In favour? Opposed? Carried.

Shall section 21 of schedule C, as amended, carry? Carried.

Section 22: government motion 59. In favour? Opposed? Carried.

Shall section 22 of schedule C, as amended, carry? Carried.

Shall section 23 of schedule C carry? Carried.

Section 24: government motion 60. In favour? Opposed? Carried.

Shall section 24 of schedule C, as amended, carry? Carried.

Shall section 25 of schedule C carry? Carried.

Section 26: government motion 61. All in favour? Opposed? Carried.

Shall section 26 of schedule C, as amended, carry? Carried.

Shall sections 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50 and 51 of schedule C carry? Carried.

Government motion 62. All in favour? Opposed? Carried.

Shall section 52 of schedule C, as amended, carry? Carried.

Shall sections 53 and 54 of schedule C carry? Carried.

Shall schedule C, as amended, carry? Carried.

Schedule D, amendments to the Travel Industry Act, 2002.

Government motion 63. All in favour? Opposed? Carried.

Shall section 1 of schedule D, as amended, carry? Carried.

Shall sections 2, 3, 4, 5, 6 and 7 of schedule D carry? Carried.

Government motion 64. All in favour? Opposed? Carried.

Government motion 65. In favour? Opposed? Carried.

Shall section 8 of schedule D, as amended, carry? Carried.

Shall sections 9 and 10 of schedule D carry? Carried.

Section 11: government motion 66. All in favour? Opposed? Carried.

Shall section 11 of schedule D, as amended, carry? Carried.

Shall sections 12, 13, 14, and 15 carry? Carried.

Section 16: government motion 67. All in favour? Opposed? Carried.

Shall section 16 of schedule D, as amended, carry? Carried.

Section 17: government motion 68. All in favour? Opposed? Carried.

Government motion 69. In favour? Opposed? Carried.

Shall section 17 of schedule D, as amended, carry? Carried.

Section 18: government motion 70. All in favour? Opposed? Carried.

Shall section 18 of schedule D, as amended, carry? Carried.

Section 19: government motion 71. In favour? Opposed? Carried.

Shall section 19 of schedule D, as amended, carry?
Carried.

Shall section 20 of schedule D carry? Carried.

Section 21: government motion 72. In favour?
Opposed? Carried.

Shall section 21 of schedule D, as amended, carry?
Carried.

Shall sections 22 and 23 of schedule D carry? Carried.

Section 24: government motion 73. All in favour?
Opposed? Carried.

Shall section 24 of schedule D, as amended, carry?
Carried.

Shall sections 25, 26, 27, 28, 29, 30, 31, 32, 33, 34,
35, 36, 37, 38, 39, 40, 41, 42 and 43 of schedule D carry?
Carried.

Section 44: government motion 74. All in favour?
Opposed? Carried.

Government motion number 75. In favour? Opposed?
Carried.

Shall section 44 of schedule D, as amended, carry?
Carried.

Shall section 45 of schedule D carry? Carried.

Shall section 46 of schedule D carry? Carried.

Shall schedule D, as amended, carry? Carried.

Schedule E, amendments to other acts.

Shall sections 1, 2, 3, 4 and 5 carry? Carried.

Section 6: government motion 76. All in favour?
Opposed? Carried.

Government motion 77. In favour? Opposed? Carried.

Shall section 6 of schedule E, as amended, carry?
Carried.

Shall sections 7, 8, 9, 10, 11, 12 and 13 of schedule E
carry? Carried.

Section 14: government motion 78. In favour?
Opposed? Carried.

Shall section 14 of schedule E, as amended, carry?
Carried.

Shall sections 15, 16, 17, 18, 19, 20, 21 and 22 of
schedule E carry? Carried.

Shall schedule E, as amended, carry? Carried.

Now we have a recorded vote on Liberal motion
number 20A.

Ayes

Crozier, Kwinter.

Nays

Arnott, Beaubien, O'Toole, Sampson.

The Chair: The motion is defeated.

The other recorded vote was on Liberal motion
number 20B.

Ayes

Crozier, Kwinter.

Nays

Arnott, Beaubien, O'Toole, Sampson.

The Chair: The motion is defeated.

Shall section 64 of schedule A carry? Carried.

Shall schedule A, as amended, carry? Carried.

Shall schedule B carry, as amended?

Interjection.

The Chair: Oh, we did all those. You're right. That
was schedule A. Now we go to the sections of the act.

Shall section 1 of the act carry? Carried.

Shall section 2 carry? Carried.

Shall section 3 carry? Carried.

Shall section 4 carry? Carried.

Shall section 5 carry? Carried.

Shall section 6 carry? Carried.

Shall section 7 carry? Carried.

Shall the title of the bill carry? Carried.

Shall Bill 180, as amended, carry? Carried.

Shall I report the bill, as amended, to the House?
Carried.

That's it. Thank you, gentlemen. This meeting is
adjourned until 10 o'clock tomorrow morning for clause-
by-clause consideration of Bill 151.

The committee adjourned at 1624.

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Third Session, 37th Parliament

Assemblée législative de l'Ontario

Troisième session, 37^e législature

Official Report of Debates (Hansard)

Thursday 5 December 2002

Journal des débats (Hansard)

Jeudi 5 décembre 2002

Standing committee on finance and economic affairs

Toronto Waterfront Revitalization
Corporation Act, 2002

Comité permanent des finances et des affaires économiques

Loi de 2002 sur la société
de revitalisation du secteur
riverain de Toronto

Chair: Joseph Spina
Clerk: Katch Koch

Président : Joseph Spina
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 5 December 2002

Jeudi 5 décembre 2002

*The committee met at 1003 in room 151.*TORONTO WATERFRONT
REVITALIZATION
CORPORATION ACT, 2002LOI DE 2002 SUR LA SOCIÉTÉ
DE REVITALISATION DU SECTEUR
RIVERAIN DE TORONTO

Consideration of Bill 151, An Act respecting the Toronto Waterfront Revitalization Corporation / Projet de loi 151, Loi concernant la Société de revitalisation du secteur riverain de Toronto.

The Chair (Mr Joseph Spina): Now that we have quorum, this meeting will come to order. We meet today with respect to clause-by-clause consideration of Bill 151, An Act respecting the Toronto Waterfront Revitalization Corporation. This is a Ministry of Finance bill. We begin with government motion number 1.

Mr Marcel Beaubien (Lambton-Kent-Middlesex): I move that the definition of “designated waterfront area” in section 1 of the bill be amended by striking out “the land” and substituting “the area.”

The Chair: Is there any discussion?

Mr Gerry Phillips (Scarborough-Agincourt): Is there a reason for that?

Mr Beaubien: I can't really give you a particular reason as to—

The Chair: In looking at it, I'm presuming that “area” includes water as opposed to land.

Mr Beaubien: I think they were talking about development.

The Chair: That's my guess, Mr Phillips.

Mr Beaubien: I think it's a more general definition.

Mr Rob Sampson (Mississauga Centre): Can we have somebody from the ministry tell us why?

The Chair: There is an individual here who can provide us some technical support. If you would please come forward, sir. State your name for the record.

Mr Craig Simons: My name is Craig Simons. I'm legal counsel on this bill.

The Chair: Mr Phillips, did you want to pose that question to Mr Simons?

Mr Phillips: What's the purpose of this amendment?

Mr Simons: Mr Spina is correct. “Land” really means land; it doesn't include water. So we are proposing to

amend section 1 and substitute “area” for “water” to make it clear that when designating the area the corporation can work in, it can include water or land under water.

Mr Phillips: Just give me a little bit of help on this. Where in the bill is this?

Mr Simons: This is one of the definitions.

The Chair: Section 1.

Mr Phillips: The second line down, “designated waterfront area.”

Mr Simons: That'll be prescribed by regulation, so we wanted to make sure that the regulation could include land and water or land under water or even watercourses that may fall within the boundaries.

Mr Phillips: With “designated waterfront area,” we're changing the word “land” to “area” on that line.

Mr Simons: That's correct.

Mr Phillips: OK.

The Chair: Any further discussion? All in favour of the motion? Opposed? Carried.

In section 1, we have a second government amendment. Would someone please read that.

Mr Beaubien: I move that the definitions of “federal government” and “provincial government” set out in section 1 of the bill be struck out and the following substituted:

“federal government” means Her Majesty in right of Canada as represented by the member of the Queen's Privy Council for Canada designated by the Governor General in Council;

“provincial government” means Her Majesty in right of Ontario as represented by the Minister of Finance or such other member of the executive council as may be designated under the Executive Council Act to administer this act.”

The Chair: Any discussion on this proposal?

Mr Phillips: What is the purpose of this motion?

Mr Simons: In discussing the bill with the federal government, they put this forward as a suggested change so we just brought it forward, and we made the “provincial government” definition parallel their change. It just provides more flexibility in who the responsible minister might be.

Mr Phillips: What impact does it have on the province?

Mr Simons: None, except the definition of “provincial government” means that cabinet has some flexibility in designating the minister.

The Chair: Anything further, Mr Phillips?

Mr Phillips: Previously, what would have happened? I'm just trying to figure out what we're doing here.

Mr John O'Toole (Durham): For clarification, I wonder if Mr Phillips would like to put on the record what he thinks it's doing, because I have some difficulty too. Do you think this is sort of Machiavellian? What were you implying, Mr Phillips? I've read it too. I seem to see it as trying to parallel the federal interpretation.

Mr Phillips: The government has decided to amend the bill—

Mr O'Toole: No, but I'm wondering what you think it is doing.

Mr Phillips: First off, I want to find out what it is doing and then I'll tell you what I think it's doing. All I'm saying to you, Mr O'Toole, is that you presented this bill a year ago, December 11, 2001. At 5 o'clock last night you proposed these amendments. It's now a few hours later. I'm just trying to figure it out—a year ago you thought this was right; today you think you've got to change it. I want somebody to explain to me what the change is. If you think that's inappropriate—

The Chair: No, that's not inappropriate, sir. Probably the best one to attempt it again is Mr Simons, as legal counsel.

Mr Simons: Going in, in the first reading version of Bill 151, we defined “federal government” to mean “the Governor General in Council.” That's basically the federal head. In “provincial government,” we had a corresponding meaning, meaning the Lieutenant Governor in Council. In discussions with the federal government over the course of when we first introduced the bill, the federal government proposed a change, and we agreed to make the change. We just made the provincial government definition parallel the federal one.

1010

Mr Phillips: My only question is this: the current wording before this amendment presumably meant that the government would do something. Does this amendment allow the province to do anything different than the current way the bill reads? Forget the federal government.

Mr Simons: Basically, the province is changing the definition from Lieutenant Governor in Council, which means it would be the Premier who would decide the responsible minister, to where it designates that the Minister of Finance will be the minister or such other minister as the executive council may designate. There's full flexibility in the current wording in the first reading version of the bill. The proposed amendment would assign responsibility to the Minister of Finance but also notes that it could be some other minister.

Mr Beaubien: It's my understanding that these two definitions were negotiated between the federal and provincial governments and that it was agreeable to both parties.

Mr Phillips: I'm sure it is. I'm sure that Mr Eves likes it. I just want to know what we, the legislative committee, are dealing with. I'm sure it's agreeable to the government or they wouldn't propose it. So if I can just paraphrase it, then, previously it didn't designate the Minister of Finance as the minister responsible; this does. Fine.

The Chair: Any further discussion? All in favour? Opposed? Carried.

Shall section 1, as amended, carry? Carried.

We move to section 2. There is a Liberal motion.

Mr Phillips: I move that subsection 2(4) of the bill be struck out and the following substituted:

“Conflict of interest

“(4) The Municipal Conflict of Interest Act applies, with necessary modifications, to the corporation and to the members of its board of directors.

“Standard of care, etc.

“(4.1) Subsection 134(1) (standard of care) and section 136 (indemnification) of the Business Corporations Act apply, with necessary modifications, to the corporation and to the members of its board of directors.”

The Chair: Did you want to give any explanation on that?

Mr Phillips: Yes, I do. This flowed out of Mayor Lastman's recommendations, where they felt the conflict-of-interest provisions in the existing bill were inappropriate and that we needed stronger conflict-of-interest provisions.

Frankly, I have two major concerns with the bill. One is the conflict of interest and the other—we'll deal with it later—is public meetings. I will say that we will be voting in favour of the bill but we will be registering these two major concerns.

I believe it's extremely important that the waterfront revitalization go forward. I think that for the province of Ontario and for the future of the city of Toronto it's an enormously important project. It's vital.

I can already see that it's off to a bad start. In my opinion, if the people on the board aren't above reproach in any concerns about conflict of interest, it puts the board in a tough position. I'll be slightly more specific. The existing conflict of interest allows these things to happen. One is that the chairman of Ontario Power Generation, a well-regarded, reputable individual, without question, well regarded in the business community and no hint of impropriety, is also on the board of the Toronto waterfront. I believe there's an application to restart the Hearn generating plant on the waterfront. So those people who may be looking for ways to criticize the Toronto Waterfront Revitalization Corp can say, “Listen, how can somebody on the waterfront also be chair of Ontario Power Generation?” Similarly, there's an individual on the board who is also on the board, I think, of the—is it called the Harbourfront commission or the Toronto Port Authority?—who is a reputable individual and well regarded, all those things. But I gather the Toronto Waterfront Revitalization Corp took a position that the Toronto Island airport expansion was consistent

with the waterfront revitalization corp. I believe that individual declared a conflict of interest, but we still have an individual who is on that board and on this board.

I predict that if we don't have tighter conflict-of-interest guidelines, the critics of the waterfront will be given, I think, a club. I just think that we would be wise to adopt the recommendation of the city of Toronto and have the municipal conflict-of-interest guidelines, which are more restrictive than the business corporations guidelines, apply. As I say, I predict that if we don't do this, one of the pitfalls of the waterfront revitalization we'll run into very quickly is that we give people a chance to argue against it not on the basis of content but on the basis of process.

Mr Beaubien: First of all, I would like maybe to get an interpretation from legal counsel, but also I would like to table a couple of documents dealing with the code of conduct for contractors and suppliers and conflict-of-interest declarations. The other one is a code of conduct and conflict-of-interest procedures for directors, officers and other employees. I'd like to table these for the committee members.

The Chair: The clerk will take those documents.

Mr Beaubien: The other comment was that I'd like to get comments from legal counsel on the amendment proposed by Mr Phillips.

The Chair: If we could ask Mr Simons to comment before we go to the other members who wish to comment. Mr Simons, Mr Beaubien had asked you to clarify. Maybe you could repeat it, Mr Beaubien.

Mr Beaubien: Basically, I would like your comment as to what the proposed Liberal amendment would or would not do that the present subsection 2(4) does in the bill. What is the difference between the two?

Mr Simons: I can go through briefly what I believe to be the difference between the two. Under the Business Corporations Act, the scope applies to directors and officers. Under the Municipal Conflict of Interest Act, it would apply to any member of a council or a local board. Under the Municipal Conflict of Interest Act, it deals with known pecuniary interests, either direct or indirect, of parents, spouses, same-sex partners and children. In terms of determination of a conflict, under the Business Corporations Act, it deals with a party to a material contract or transaction, whether existing or proposed, or is a director or officer or has a material interest in another party to a material contract or transaction. Under the municipal code, the determination of conflict means any direct or indirect pecuniary interest. It's defined to mean shareholding, a directorship of a private company, a controlling interest or directorship of a public corporation. So you get a sense of how the conflicts are determined. It's a little bit different.

1020

Mr Beaubien: Mr Phillips alluded to the fact that a person who is the chair of a corporation sitting on this board could potentially be in conflict of interest because of a certain generating station that he mentioned. I would imagine that could apply to many individuals who are

sitting on different boards. I would imagine that under conflict of interest that person can declare and step aside from the discussion.

Mr Simons: The Business Corporations Act requires conflicts to be disclosed in writing, the conflict has to be placed on the record in the board minutes, and there has to be some sort of notice of this. Under the Municipal Conflict of Interest Act, if it's a public meeting, the member must disclose the interest and its nature, must not take part in discussing or voting on the matter and must not try to influence others' votes, and the disclosure must be entered into the minutes or put on the public record at the next public meeting.

But the one thing to note as we go along here is that the corporation itself has developed a code that's even stronger than what the minimum standard is under this proposed legislation. So the corporation has gone above and beyond what's required. In fact, it goes above and beyond what's required in the Municipal Conflict of Interest Act as well. They've developed their own by resolution and it's a very strong code. I think a copy of that is being circulated around. That's just one thing to note.

Mr O'Toole: I think it's an important section of the bill. I would certainly say that. I don't have the experience, except having served on municipal council and here, which I'm familiar with. I wouldn't for an instant challenge Mr Phillips, but is he correct in his assumption or implication with this amendment that someone wrote for him—I imagine someone prepared it for him—that the Municipal Conflict of Interest Act is in fact stronger than the provincial one? The reason I'm asking that is, if that's the case, in the current reports in the paper on MFP and the city of Toronto, it appears to me they had some serious problems already. What oversight is actually at the municipal level to enforce or manage the implied stronger municipal conflict of interest law? I don't see it that way. I think this actually weakens it. It's unfortunate, and I'm pleased to have Mr Phillips respond, but as I look at it here—in fact if you look at the following section, under subsection (5), it says the board chair will be jointly appointed, as I understand it. Perhaps you could respond. Is it true that the Municipal Conflict of Interest Act is stronger, or is that just a general assumption by the mover of the motion?

Mr Simons: It is broader in scope, in terms of the nature of the conflict. There are also consequences and sanctions under the Municipal Conflict of Interest Act where an elector can bring the matter to court, or the court can order that a member's seat be vacated, or it could disqualify the member from being a member for seven years if the contravention resulted in some sort of financial gain and may require financial restitution be made as well.

Mr O'Toole: So it is stronger, then.

Mr Simons: It is stronger. Under the Business Corporations Act, if a director or officer fails to disclose an interest, the corporation or shareholder may apply to court to set aside the contract or require the director to

account for any profits and the court might take whatever order it thinks fit. So the courts retain some broad authority there as well.

The Chair: Any comment here?

Mr Sampson: I get some sense from Mr Phillips that what he would like to do is to make sure that conflicts, probably more in the perceived category than the actual, are somehow disclosed and brought into the open so that they can be dealt with by either the person who has the perceived or otherwise conflict or by those who hold the perception. I believe we'll be seeing an amendment down the road that will deal with opening up the proceedings of this corporation to more public scrutiny, which I think is good. In the context of more of a public scrutiny of the operations of this board and its business plans etc, I would be comfortable to stick with the current provisions, which deal with the Business Corporations Act, implications of conflict and definitions of conflict. I think both the Business Corporations Act and the Municipal Act are trying to deal with perceived or actual conflicts. They do it, I would argue, in perhaps different ways, but they're both trying to deal with the same thing. The remedies are different, obviously, because the remedies for somebody who is elected, ie, barring them from being elected again for another seven years, are different from the remedies that a shareholder or a person who has an interest in a corporation would expect, and that would be barring somebody from being on a board or taking them to court for recovery of the monies that resulted from the conflict.

I understand what Mr Phillips is trying to do. I would argue that what we're trying to do is the same thing. He has just picked a different route. I'm not too sure it's as perfect as one would argue, and I suspect neither is the Business Corporations Act totally perfect in this area. But exposing the proceedings to public scrutiny I think will help perfect it, so I am prepared to stick with the existing bill.

Mr Phillips: I'm trying to respond to the strong recommendation of one of our partners, the city of Toronto. We have two partners in this, along with the province, but the province writes the legislation. We had Mayor Lastman here last week saying to us they've got two big concerns. One is, the meeting should be public—and by the way, the amendments that are proposed don't make the meetings public; the board meetings will not be public, according to the government. As I look ahead at the amendments here, they'll make their plans public after they've determined them in private meetings.

First, I'm trying to respond to the two strong recommendations of the city of Toronto, who do have concerns about the conflict. I didn't write this amendment. Like Mr O'Toole was familiar, I said to the legislative counsel, "Here's what I'm trying to achieve. Will you legally prepare an amendment?" This wasn't written by myself; it was written by legislative counsel. But Mr O'Toole may not understand this process.

I guess I use the two examples. If that's acceptable to the government, those two appointments, I think we're

making a mistake. I just think we're opening ourselves up to, rather than people debating the merits of the plans, be saying, "Listen, that plan reflects that because that person has another interest on the board." I think we make a mistake allowing ourselves to do that.

This amendment was designed to respond to Mayor Lastman's two big concerns. I asked legislative counsel to draft an amendment that would do that. I assume this amendment does that, and I assume the government doesn't like it.

Mr Sampson: Just one more comment, Mr Spina, to Mr Phillips' point. You say that one of our partners in this has suggested a tightening up of the conflict rules. He has already had that implication and that effect on the rules that have been established by the corporation that we have in front of us here. In fact, all these rules that I've been able to see far exceed—probably take the best of both worlds: the Corporations Act and the Municipal Conflict of Interest Act.

The conflict rules of the corporation, should they choose to exceed this limit, will be set by the partners, one of which Mr Lastman is a representative; the province is another, and the feds are another. They can choose, as they already have demonstrated, to exceed those conflict rules. I wouldn't want to write in legislation anything that would encourage them to weaken that, and I would worry that your amendment would indicate that.

Mr Phillips: I'm not familiar with anything in the amendment that weakens it. Show me where it weakens it.

Mr Beaubien: How is this going to make sure that there is no conflict as opposed to what we have in there? The amendment that you're proposing, how is it going to strengthen discouraging somebody from having a conflict or a potential or perceived conflict?

1030

Mr Phillips: I actually take Mayor Lastman at his word. They work with this conflict of interest, and their recommendation is that it would strengthen the conflict-of-interest provisions. I have some confidence that their counsel made those two recommendations. They wanted it included in the legislation; I proposed it. I think that the combination may in fact strengthen. I go back, though for the life of me, I think the government is asking for difficulty—if the appointments they've made are quite acceptable. I think we're going to be into ongoing concerns about conflict on the waterfront.

Mr Beaubien: I think it's fine to say that the government is asking for difficulties, but I asked the question, how is your amendment going to strengthen the conflict of interest? You said, "Well, that's what Mr Lastman has asked for." I'm not a lawyer, but I think the legal people are suggesting that this is stronger than the present conflict of interest that we have at the municipal level. Having sat on municipal council for 15 years, I'm quite willing to abide by that. I have to take some trust into the legal advice that we're getting, that the amendment is stronger than what we have right now. It's

fine to say that you can appoint anybody under any piece of legislation, and there's always a potential for somebody to go offbeat.

Mr Phillips: Let me get this straight. Is legal counsel saying that the bill is stronger or that the code of conduct that the Toronto Waterfront Revitalization Corp has adopted is stronger?

Mr Simons: The code of conduct that the interim corporation has adopted, and I'm assuming will carry forward if this bill is passed as the permanent corporation, goes above and beyond the current requirement in the—

Mr Phillips: That may very well be the case, but the legislation doesn't, and that's my point: they may have adopted at this point in time this code of conduct, but we're asked to approve a bill, not the code of conduct.

Mr Simons: To that point, Mr Phillips, the people who will make the decision to lower the bar, in your view, of the code of conduct that's currently in place in the interim corporation will be one of the partners or all the partners working together, of which Mr Lastman is one of the representatives. So if he chooses to take that standard down, as we're hearing from council, then he would be part of the group that would make that decision. It's in his hands how tight he wants to make these rules.

By the way, I don't understand. I think your point is, and I don't think it's correct, that if we adopted your resolution, certain members of the board would have to remove themselves permanently from the board or not be eligible for appointment to the board. That's not the case, as you know. It's just that they would be excluded from certain meetings that would deal with interests in which they have a perceived conflict, which is the exact same effect as if the amendment didn't carry and the current wording of the bill remained.

Mr Phillips: You've made my point for me, and that is that the bill we're adopting today has weaker conflict-of-interest guidelines than the municipal one.

Mr Simons: That's not what I said, and you know that.

Mr Phillips: I haven't finished yet, actually.

Mr Simons: You just said I made your point, and that's not what I said.

Mr Phillips: I haven't finished making my point—

Mr Simons: Fine.

The Chair: Time, gentlemen.

Mr Phillips: —that the code of conduct voluntarily adopted by the board is stronger. My point is, we are writing legislation that is designed to direct the board. The board may at this point in time have a code of conduct that's stronger or they may have one that's weaker. I don't think that should be left to the board. That's my point.

Your point is that it should be left to the board. We just disagree. That's my point, and that's why I need to finish my point.

The Chair: Thank you, Mr Phillips. Is there any further comment? All in favour of the motion, please raise your hand.

Mr Phillips: A recorded vote, please.

The Chair: Recorded vote? Then we will have to defer the recorded vote until later.

Interjection.

The Chair: OK. I got mistaken advice. Corrected, it's only after 4:00 o'clock, when the time allocation kicks in, that we defer a recorded vote. So we can take a recorded vote at this point.

Ayes

Christopherson, Phillips.

Nays

Beaubien, O'Toole, Sampson.

The Chair: The motion is therefore defeated.

Shall section 2 carry as in the bill? Carried.

We move to section 3, government motion number 4.

Mr Beaubien: I move that paragraph 1 of subsection 3(1) of the bill be amended by striking out "the value of the land" and substituting "the economic, social and cultural value of the land."

The Chair: Any comment?

Mr Phillips: I hate to be picky, but could we get an explanation for the purpose of this?

Mr Beaubien: I'm going to defer to counsel.

The Chair: Mr Simons, would you care to comment, please?

Mr Simons: This provision came as a result of the discussions, negotiations that went on between the province, the federal government and the city. This is a recommendation that came forward from the city. It clarifies one of the objects of the corporation. The object would now read, if this motion succeeded, "To implement a plan that enhances the economic, social and cultural value of the land in the designated waterfront area and creates an accessible and active waterfront for living, working and recreation, and to do so in a fiscally and environmentally responsible manner." This is one of the corporate objects.

The Chair: Further discussion?

All in favour of the motion? Opposed? Carried.

Government motion number 5.

Mr Beaubien: I move that section 3 of the bill be amended by adding the following subsection:

"Same

"(3) The corporation shall have regard to the official plan of the city of Toronto in carrying out its objects."

The Chair: Any comment?

Mr David Christopherson (Hamilton West): A question to the government members: can I ask why you would use such weak language as "have regard to," which really means as little or as much as they may determine? You can simply glance at something or make a reference to it, acknowledge that somewhere in the world it exists and you've now given regard to it. Can I ask why you wouldn't choose words to the effect of "be

consistent with," recognizing that the overall development of the municipality is the democratic responsibility of the council?

Mr Beaubien: It's probably more of a legal answer that you need, but I think it's very commonly used in municipal language that you "shall have regard to" something. I'm certainly willing to defer the question to legal counsel to see if there's a legal entity to that question.

The Chair: Mr Simons?

Mr Simons: Mr Christopherson, when we were discussing this with the city, the city actually put this forward as a request, that we include this. The official plan of the city of Toronto will apply to the area where the corporation will be carrying out its objects, so that doesn't change; it's always going to apply. There's nothing in this bill that would change that. So the city just wanted some recognition of the plan, and that's what this provision provides.

Mr Christopherson: Fair enough. But when you do official plans and secondary plans and central-area plans, the whole point is to bring everybody together so that all decisions are ultimately feeding into the shared goal, the shared vision. I hear what my friend is saying about this being referred to, but there's also language everywhere throughout the municipal world that says "be consistent with," and there's good reason for that.

I'm still not hearing why it wouldn't say "be consistent with." When are there times when we would see the new corporation be out of sync with the official plan of the city of Toronto and that being OK?

Mr Beaubien: Last week when Mr Lastman was here, I asked a question with regard to the proposed development on the waterfront, whether it would be compatible with their official plan. I was told that, yes, everything they would do would be according to the official plan for the city of Toronto.

I've seen it on many occasions when they referred to something in the Municipal Act stating that you shall "have regard to" something. I don't know what the concern is, but I would imagine that what was proposed—will it be compatible with your official plan? They say yes, so whether this came about as a result of the question I posed, I don't know, but the city has mentioned or suggested that this should be an amendment, having "regard to the official plan of the city of Toronto." I don't think it was in the bill prior to that.

1040

Mr Phillips: Was this the wording the city of Toronto recommended?

Mr Simons: I think they originally suggested "be guided by," but I'm not quite clear what that means in law, and I didn't want to create a whole new set of jurisprudence on what that might mean. "Have regard to" is clear; it's well used in legislation. In the absence of this provision, the corporation would still have to have regard to or would have to comply with the official plan of the city of Toronto.

Mr Phillips: The mayor was here last week and indicated that he felt most of his concerns had been

addressed through amendments, except for public meetings and conflict of interest. Is this wording acceptable to the city of Toronto?

Mr Simons: In the discussions they agreed this is fine.

Mr Christopherson: The reason I raise this is that I've been around long enough to recall when the Planning Act received major changes, and throughout language referencing official plans and other legislation and guidelines that supported the community was changed and watered down to say "have regard to." We don't need to get into a legal discussion, but if you get in front of a judge or an arbitrator and make the case that somebody hasn't met the test of "have regard to," it means they've had absolutely no recognition that it even exists. To meet that standard, all you have to do is say, "Yeah, it's here. We looked at it and, you know, we had regard to it," and move on and that's the last time you think about it. It really doesn't mean anything.

Having gone through some of these battles in my own community, I know that waterfront entities, even without the support of law, take on lives of their own, and there's nothing uglier than a council that's battling with either the harbour commissioners or the port authority or, in this case, a new corporation. To say that things are consistent and fine now is wonderful, but this thing is going to take on a life of its own; this corporation is going to become quite an entity.

I'm not going to make a major deal out of it, but it seems to me that if the city were looking for some kind of tie-in, what they would really want is something that's clear that the ultimate planning authority is the official plan of the city, and if anybody wants to do anything different from that, they've either got to get an exception or there's got to be an amendment to that official plan. When I see "have regard to," I know what's going on; this is just a nice little piece of something you can point to and say, "See, we care about the official plan," but there's no teeth; there's nothing behind it. Let's be clear: this does, effectively, nothing.

That's the end of my bit.

The Chair: Mr Sampson?

Mr Sampson: I'll defer.

The Chair: Any further comments on this amendment?

Mr Christopherson: Recorded vote, please.

Ayes

Baubien, O'Toole, Sampson.

Nays

Christopherson, Phillips.

The Chair: Carried.

Shall section 3, as amended, carry?

Section 4, government motion number 6.

Mr Beaubien: I move that section 4 of the bill be amended by adding the following subsections:

“Limit on capacity

“(1.1) The corporation does not have the capacity to act as an agent of Her Majesty in right of Canada, Her Majesty in right of Ontario or the city of Toronto.

“Restriction on conduct

“(1.2) The corporation shall not conduct itself so as to create, or to purport to create, an agency relationship with Her Majesty in right of Canada, Her Majesty in right of Ontario or the city of Toronto.”

The Chair: Any comment on this amendment?

All in favour? Opposed? Carried.

Shall section 4, as amended, carry? Carried.

We move to section 5. We have government motion number 7.

Mr Beaubien: I move that paragraph 2 of subsection 5(1) of the bill be struck out and the following substituted:

“2. A maximum of four members appointed by the Lieutenant Governor in Council.”

The Chair: Any comment?

Mr Sampson: I just have a technical one. Why was a similar amendment not done for 5(1)1, which is the federal equivalent? I'm assuming they make their appointments through order in council as well.

The Chair: That question is to Mr Simons.

Mr Simons: I think you have to go back to what the definition of “federal government” is. When we change the definition of “federal government,” this motion and the next two motions are consequential amendments.

Mr Sampson: I do remember, actually, that we had changed that to say the federal government was—their order in council.

Mr Simons: Their Governor General.

The Chair: Any further comment? All in favour? Opposed? Carried.

Government motion number 8.

Mr Beaubien: I move that paragraph 4 of subsection 5(1) of the bill be struck out and the following substituted:

“4. A maximum of one member appointed jointly by the Lieutenant Governor in Council, the federal government and city council.”

The Chair: Any comments? Seeing none, all in favour? Opposed? Carried.

Government motion number 9.

Mr Beaubien: I move that subsection 5(5) of the bill be struck out and the following substituted:

“Chair

“(5) The board member appointed jointly by the Lieutenant Governor in Council, the federal government and city council is chair of the board.”

The Chair: Any comment? All in favour? Opposed? Carried.

Shall section 5, as amended, carry? Carried.

We move to section 6, Liberal motion number 10.

Mr Phillips: I move that section 6 of the bill be amended by adding the following subsection:

“Meetings open to the public

“(4) All meetings of the board shall be open to the public except as provided in subsection (5).

“Exceptions

“(5) A meeting or part of a meeting may be closed to the public if the subject matter being considered is a matter in respect of which a municipal council may hold a closed meeting under subsection 239(2) or (6) of the Municipal Act, 2001.”

The Chair: Any comment?

Mr Phillips: Can I just give a brief explanation of the purpose, Mr Chair?

The Chair: Go ahead, Mr Phillips.

Mr Phillips: This is the second major concern of the city of Toronto, and that is that the meetings of this corporation be open to the public, and I share their concerns. I think Toronto city council unanimously passed this motion, and I notice that the NDP have a similar motion following this.

The future of Toronto will be heavily influenced by a successful waterfront revitalization. I'm fully supportive of that, and I'm anxious to do whatever we can, on behalf of our party, to make that happen. But I know from a lot of my own experience that if the public feels their business is being done behind closed doors, that there are things going on that should be public but aren't public, then we are just encouraging problems for the waterfront revitalization.

I know it's often cozy to do business behind closed doors—it's a lot faster and less messy—but in the long run, I think it will be the thing that runs the risk of unravelling the success of this. Mr Kwinter last week pointed out that during his term on the harbourfront commission, which has many of the same functions as this board, all their meetings were open to the public. Clearly, when you're dealing with personnel matters or matters where individuals could benefit financially, you do need to move to in camera.

Once again, to help Mr O'Toole along, I said to legislative counsel, “The city of Toronto is proposing that we use the same rules for public meetings that they do,” and rather than reinvent the rules, I simply said, “We'll have the corporation adopt the same rules that are done for municipalities.” The purpose of this is to open the meetings up to the public. I think that if we don't do this, in about a year this board is going to have some significant challenges.

The Chair: Thank you for the promotion to Speaker, but it's unwarranted at this point and I'm still the Chair.

1050

Mr Sampson: I'm going to ask a question, perhaps to the legal counsel, about the amendment that's before us, about the one that will likely follow, if I can ask the indulgence of the committee, and about number 13, which I assume is the government's other version along the same theme. Taking a look at those three versions, perhaps we can have some discussion and some comment from counsel on whether one is different from the other; then also, under the Municipal Act, 2001, some understanding from counsel on what the requirements are or

aren't for public meetings, and whether—I understand Gerry is not trying to reinvent the wheel here—that means there would be more public meetings, or would the government amendment include meetings that were over and above what the Municipal Act would ask for?

If you can get three questions out of that rambling, I'd appreciate it; if you can't, I'll try again.

Mr Simons: On some of these things I may defer to legislative counsel to help.

Mr Sampson: Fine.

Mr Simons: In the bill as it currently stands, there's nothing preventing the board from holding open meetings. So if they choose, they could. There is nothing requiring them to hold open meetings.

Mr Sampson: Which I think is Mr Phillips's point and the point we heard, so I take that.

Mr Simons: In the Liberal motion, it basically requires all meetings of the board to be open to the public, except where one of the subject matters is enumerated under section 239(2) or (6) of the Municipal Act.

Mr Sampson: Just to interject, this is just board meetings. There may be other planning and development meetings that aren't even covered by either the Liberal or the NDP amendment. Is that correct?

Mr Simons: This deals with meetings of the board.

Mr Sampson: These are board members. So you can have a planning meeting that, under Mr Phillips's amendment, would still be in camera because it's not a board meeting. It could be a meeting of a subcommittee of the board, which I understand is not a definition of a board meeting. So there could be a planning subcommittee of the board deciding what to do with the generation plant that, even under Mr Phillips' amendment, would not be required to be open to the public. Is that correct?

Mr Simons: You're saying subcommittee of the board of directors?

Mr Sampson: Would it be a subcommittee of the board? Is that correct?

Mr Simons: That I'm not clear on. This talks about meetings of the board.

Mr Sampson: The subcommittee of the board is actually not constituted as a board, so I think there's an argument that subcommittees of the board are not board meetings. I think for anyone, corporately, to argue otherwise would be making some big mistakes because subcommittees of boards do not bind the board; they just provide advice to the board. If I can lead you a little bit further—

Mr Simons: Is this a leading question?

Mr Sampson: —what we're trying to do is get public meetings of some content around development, which is probably, with all due respect to the board, not likely at the board meetings, but more likely at planning meetings of subcommittees of boards, and planning meetings and development meetings of the corporations themselves, neither of which are covered by the NDP or Liberal amendment.

Mr Simons: Coming forward, Mr Sampson, when we get to section 8, there is a government motion that requires the corporation in its business plan to provide for holding public meetings and that will be part of the plan the three governments will have to deal with.

Mr Sampson: Right, and I suppose when we get there I will argue that that probably encompasses more of the meat-and-potato meetings that the members opposite would like to have exposed to the public than a final rubber-stamp board meeting, which is exactly what these two have targeted.

Mr Christopherson: It's interesting: the government argues that the leading thought is that they want public meetings; the legislation they're going to propose in amendment 13 is going to be "including holding public meetings," almost as an afterthought.

The argument made by Mr Sampson about subcommittees: he probably makes some good points. I would acknowledge that. I think these amendments would be even better if they did include any committees or subcommittees. But, having said that, the fact of the matter is that unless the board is prepared to delegate crucial decisions to subcommittees, which in and of itself would have to be public under this legislation but not yours—that would tell the tale in terms of how serious people are about having input. If the board is going to delegate that kind of authority, then you've got a whole different kind of animal. So I'm assuming that at the end of the day all decisions have to come back to the board. Mr Sampson can say that that's rubber-stamping, but you can make the same argument about the Legislative Assembly after a cabinet meeting. Many of us would argue that that's exactly what happens. But the fact of the matter is that it is the Legislative Assembly that is ultimately supreme and it is in the public arena. This—

Interjection.

Mr Christopherson: Hang on. I listened to your arguments.

Nothing gets the public riled more than being barred from a meeting—nothing. Those of us who have served on city councils or school boards, and there are a number of us around this table, know that. This is meant to head that off. One of the things, it seems to me, again based on my own experience, that we should be looking at when we pass this legislation is trying preventive medicine, trying to prevent conflicts between the waterfront corporation and city council. I assure you that down the road those conflicts are going to be there, and the more we think ahead and try to anticipate those problems and offer up what we think are the appropriate means for dealing with those frictions, the better all this is going to work.

Being very clear that no kind of secret meeting where final decisions are going to be made will be allowed should be the priority rather than just an afterthought of, "Oh yeah, they've got an obligation to set up a planning committee. And oh, by the way, make sure you cover off the whole issue of public input and public meetings, because you know how 'they' are"—two different worlds entirely. If the government is truly serious about making

sure that this corporation is as transparent in its business decision-making as the public demands, then they've got to strengthen up what they're offering. Whether that's the Liberal amendment or the NDP amendment, they're virtually the same. They approach it somewhat differently but end up at the same place, and that is, what's good for the goose is good for the gander.

So if this is good for city council and the way they have to operate in making their kinds of decisions, then this waterfront corporation, which a lot of people believe is going to have a lot to do with the ultimate success or failure of this city as people envision the ultimate product of the city of Toronto—so this is huge, and if we don't solve it right now, there are going to be battles down the road that don't have to happen. We can avoid them by providing the leadership and insight that these kinds of amendments, coming from the Liberals and the NDP, offer. To do anything less is to pay lip service to public hearings and to plant the seeds of discontent down the road. We can avoid all that by doing the right thing and the appropriate thing here this morning.

The Chair: Mr Phillips?

Mr Phillips: I've spoken once, Mr Chair. If you want to go around, I'll speak on the second go-round.

The Chair: Thank you. Mr Beaubien.

Mr Beaubien: I think everybody is trying to do the right thing, and to say that this is an afterthought—in Bill 151 there is really nothing that bars anybody from attending any public meetings. Meetings are open to the public. It's fine to say this, but I think you need public input. This is going to be a public development. To assume that the public would be shut out of the process—I just don't get it.

1100

Furthermore, the Liberal motion says: "All meetings of the board shall be open to the public except as provided...." That's fine but, as Mr Sampson pointed out, what about sub-committee meetings? What about other meetings that may be occurring? It doesn't say anything about this. All you are mentioning is board meetings. The bill as it stands right now covers everything. It doesn't preclude anybody from attending any of the meetings—just for clarification.

Mr Phillips: The fact of the matter is that the board, and Mr Fung indicated it, plans to do their business in private. Their board meetings will be in private. I will just say to us that we're sowing the seeds of big problems for this corporation.

I know that Mr Fung and the board think it's kind of messy to have their meetings in public, that it's going to cause them problems because the public will be there and maybe not liking some of the things they're doing. I was on a school board, you were in a council and others have been on councils, and I know from first-hand experience that if you do the public's business behind closed doors, you're asking for problems. I was as careful as I could possibly be to make sure that as soon as any discussions started taking place behind closed doors that should have

been public, we moved into public, otherwise the public doesn't understand how you reached your decisions.

The fact of the matter is that the legislation does not require the board meetings to be in public, and Mr Fung has said they'll be in private. As for sub-committees and whatnot, every decision the board makes has to be made by the whole board, according to legislation. I'm saying that a meeting where any decision is made has to be in public.

The government amendments—all I say is, listen, the board must hold some public meetings. That's just window dressing, frankly. That's like the public won't be allowed in when the decisions are being made, but they'll be allowed to know after the facts and plans or before the fact to have some discussion. I think if we want the public to buy into the waterfront—in the final analysis, if this is going to work, they're going to have to. If they're not allowed step by step to be brought along, I will virtually guarantee that at some stage in the future, 12 months, 18 months from now, this board will end up being bogged down because the public support will not be there. It is true. This is the public's business. This isn't our business. I see no justification why it shouldn't be done in public, with the exception of the two major things that are excluded.

Mr O'Toole: I personally want to put on the record that I don't have a problem. I believe that the board meetings generally should be held in public, where the information is brought from committees which may appropriately be in camera, whether it's property matters etc. I'm not having tremendous difficulty with this, but I think we need to make sure we have clarity between the two amendments, the Liberal amendment and the NDP amendment. If I could ask legal counsel to give us a clear interpretation of those two provisions, of providing some context for public meetings, and would there be any implied requirement by the board to hold public meetings the way the current thing is billed as well as our own motion 13?

Mr Simons: Can I ask legislative counsel to answer that question?

Ms Laura Hopkins: There is a difference between the Liberal motion and the NDP motion. The difference is a technical difference. The NDP motion would incorporate a rule from the new Municipal Act that isn't part of the Liberal motion. The rule that the NDP motion would incorporate deals with whether or not votes are held in public or in private—sorry, my mistake: it deals with the notice the public gets before a meeting goes private.

Under the NDP motion, the board of directors would be required to state by resolution the fact that their meeting will be closed or part of the meeting will be closed, and also to state the general nature of the matter they're going to consider during the portion of the meeting that's closed. This is omitted from the Liberal motion.

Mr O'Toole: You're suggesting perhaps that the NDP motion is more specific with respect to the Municipal

Act, whatever that determines; if it's public, there's some process of general notice?

Ms Hopkins: It requires an additional procedural step over the process contemplated by the Liberal amendment.

Mr O'Toole: I'm just putting on the record that it is important for the city of Toronto and in fact for all Ontario to get this thing right, and if there's a perception that the denial of public right to know is something—I certainly support the public position. I don't know if other members here have a question on that line, but where does our motion stand? That was the final part of it, the one in 13, dealing with subsection 8(2), which says, "A description of the corporation's plans"—

The Chair: Mr O'Toole, right now we're discussing this one.

Mr O'Toole: Yes, but with your indulgence, Chair, it does say "encourage public input into the development of the designated waterfront area, including holding public meetings." It's not perhaps broad enough, I don't know. Do you understand how it talks on the same issue of public meetings?

Mr Simons: Mr O'Toole, when we get to section 8, this is a component of the business plan—this is what we're requiring the corporation to come forward with every year—one of which is a plan for holding public meetings.

Mr O'Toole: So it's not board meetings. OK.

We'd like to call for a recess for 10 minutes to have some consultations among ourselves.

The Chair: OK, we'll have a 10-minute recess. We'll convene at 11:20.

The committee recessed from 1107 to 1120.

The Chair: We will come back to order. Is there any further discussion on Liberal motion number 10? Mr Christopherson, you wanted to lead it off?

Mr Christopherson: I'm going to do something that I don't do very often or lightly. I'm going to take some folks from the other side of the House at their word and see how things play out. That's all I have to say for now. I put that nicely.

The Chair: That's on the record. Would anyone from the government side have any comments? We'll deal with the Liberal motion then. Unfortunately, Mr Phillips has not returned, but we shall call the question. All in favour of the Liberal motion? All opposed? Defeated.

We now go to motion number 11, an NDP motion.

Mr Christopherson: I move that section 6 of the bill be amended by adding the following subsection:

"Public meetings

"(4) Section 239 (Meetings open to public) of the Municipal Act 2001, applies, with necessary modifications, to meetings of the board."

The Chair: Any comments?

Mr Christopherson: No; this is the pudding part.

Mr Beaubien: As we discussed previously, I think everybody wants to do the right thing. On this side of the House, we believe in transparency. We want public meetings. We all make sure that people participate in the process. I'm going to speak in favour of the NDP motion

because, under public meeting, where they say "(4) Section 239," it's even more stringent than what the Liberal motion suggested. I think it provides transparency. It provides accountability. It is public dollars that we're dealing with. I would also like to put on the record that we do consult, we do listen and you have an input. You can take credit for having an amendment in this bill that I personally can support. Again, we want to make sure that people are very comfortable with the transparency and the accountability issue.

The Chair: Further comments?

Mr Phillips: Great.

The Chair: Mr Phillips said that was great. OK. Anything else?

Mr O'Toole: Recorded vote.

The Chair: All in favour of the NDP motion, please raise your hand.

Yates

Arnott, Beaubien, Christopherson, O'Toole, Phillips, Sampson.

The Chair: The motion is carried.

Shall section 6, as amended, carry? Carried.

We move to section 7, government motion number 12.

Mr Beaubien: I move that subsection 7(1) of the bill be struck out and the following substituted:

"Directions to the board

"(1) The board of directors shall follow such directions concerning the management and supervision of the affairs of the corporation as may be set out in a written agreement of Her Majesty in right of Canada, Her Majesty in right of Ontario and the city of Toronto."

The Chair: Any discussion? There being none, all in favour of the amendment? All opposed? Carried.

Shall section 7, as amended, carry? Carried.

We'll move to section 8, government motion number 13.

Mr Beaubien: I move that subsection 8(2) of the bill be amended by adding the following paragraph:

"4.1 A description of the corporation's plans for the year to encourage public input into the development of the designated waterfront area, including holding public meetings."

The Chair: Any discussion?

Mr Beaubien: I think we've discussed what a public meeting was all about and I think we're fairly satisfied that we've probably got the proper description, according to the NDP amendment.

The Chair: All in favour, then? Opposed? Carried.

Government motion number 14.

Mr Beaubien: I move that section 8 of the bill be amended by adding the following subsection after subsection (2):

"Five-year plans

"(2.2) The business plan for the first fiscal year of the corporation and for every fifth year thereafter must also contain the following information:

"1. A description of the corporation's objectives for the following five years for the enhancement of the economic, social and cultural value of the land in the designated waterfront area.

"2. A description of the corporation's plans for the next five years to enhance the economic, social and cultural value of the land in the designated waterfront area. The plans must include details about the current and forecast levels of activity in the area, the infrastructure that may be needed, the plans to divide and develop the land, the projects that the board considers to be priorities for the corporation and the timetable for implementing these projects.

"3. An estimate of the long-term development costs of achieving these objectives and a description of the business strategies and funding options available to the corporation for the following five years.

"4. Such other information as may be required by regulation."

The Chair: Any comment on this amendment?

Mr Sampson: We changed the definition of "land" and turned it into "area" on the assumption that it included water. I'm just worried that we're using the word "land" here, and I'm wondering whether one could imply that, because the definition will change about area now, that it excludes the water. I hate to be a technician here, and I'm not one, but is that a problem?

The Chair: Are you referring to the first bullet?

Mr Sampson: All throughout there, you talk about the value of the "land" in the designated waterfront area, which now includes land and water, and then development of the land. I mean, "land" is used throughout that amendment in a number of sections. Is it a problem now? Are people going to interpret that we didn't mean water, now that we have an area definition that includes water, or am I just stretching, trying to be a lawyer when I shouldn't be?

The Chair: To whom are you directing the question—Ms Hopkins?

Mr Sampson: Either legal counsel.

The Chair: Ms Hopkins, would you like to address that?

Mr Sampson: I'll get four opinions; I've asked two lawyers.

Ms Hopkins: Thank you, Chair, I'd love to answer that. From a technical drafting point of view I appreciate the technical feedback, and if I'd caught it I would have made the change that you've suggested. The objects of the corporation refer to "land" rather than "area" and it refers to land in the designated waterfront area. Under the Interpretation Act, statutes are given a large and liberal interpretation in order to achieve their objectives.

Mr Sampson: Small-I liberal, please.

Ms Hopkins: Small-I liberal, and I—

Mr Sampson: You just got Gerry excited. I'd hate to see him wake up completely.

Ms Hopkins: I suspect that a court would give a generous interpretation to the references to "land" in this provision and in section 3.

The Chair: Any further comment?

Mr O'Toole: I think the point in the definition section is what Mr Sampson is referring to. We have clarified the distinction there. Wouldn't that, in any interpretation of the subsequent sections, make reference to the definition section? You know, we've changed "designated waterfront" to "area" there, so that's the definition section, and so any time, wouldn't it take precedence in the interpretation?

Ms Hopkins: I think that the definition, as amended, would guide the interpretation of references to "land" here.

Mr O'Toole: So do we need to amend it? That's the key.

Ms Hopkins: I think you're fine without amending it.

The Chair: Any further discussion? All in favour of the amendment? Opposed? Carried.

1130

Government motion number 15.

Mr Beaubien: I move that subsection 8(3) of the bill be struck out and the following substituted:

"Notice

"(3) The board of directors shall give a copy of each business plan to the federal government, the provincial government and the clerk of the city of Toronto; the copy given to the Clerk is to be addressed to the mayor and members of the council."

The Chair: Any comments? All in favour of the motion? Carried, unanimously.

Shall section 8, as amended, carry? Carried.

We move to section 9, government motion number 16.

Mr Beaubien: I move that subsection 9(1) of the bill be struck out and the following substituted:

"Financial matters

"(1) The corporation shall maintain financial records for the corporation and its subsidiaries and shall establish financial, management and information systems that will enable the corporation to prepare financial statements in accordance with generally accepted accounting principles."

The Chair: Any comments? All in favour? Opposed? Carried.

Shall section 9, as amended, carry? Carried.

We move to section 10. Shall section 10 carry? Carried.

We move to section 11, government motion number 17.

Mr Beaubien: I move that subsection 11(1) of the bill be struck out and the following substituted:

"Annual report

"(1) The corporation shall give an annual report on its affairs to the federal government, the provincial government and the clerk of the city of Toronto within 90 days after the end of each fiscal year; the report given to the clerk is to be addressed to the mayor and members of the council."

The Chair: Any comment? All in favour? Opposed? Carried.

Government motion number 18.

Mr Beaubien: I move that the English version of subsection 11(3) of the bill be struck out and the following substituted:

“Public inspection

“(3) The corporation shall make a copy of the annual report available for inspection by the public upon request.”

The Chair: Any comment? All in favour? Opposed? Carried?

Shall section 11, as amended, carry? Carried.

Shall section 12 carry? Carried.

Section 13, government motion number 19.

Mr Beaubien: I move that section 13 of the bill be struck out and the following substituted:

“Winding up the corporation

“13(1) The Lieutenant Governor in Council may by order require the board of directors to wind up the affairs of the corporation on or after the 20th anniversary of the date on which section 2 comes into force.

“Restriction

“(2) The Lieutenant Governor in Council shall not make an order under subsection (1),

“(a) if the Lieutenant Governor in Council, the federal government and city council agree to undertake a review of the corporation;

“(b) if the review is completed at least three months before the 20th anniversary of the date on which section 2 came into force; and

“(c) if the person undertaking the review recommends that the corporation not be wound up before the 25th anniversary of the date on which section 2 came into force.

“Mandatory winding up

“(3) If no order is made under subsection (1), the Lieutenant Governor in Council shall by order require the board of directors to wind up the affairs of the corporation promptly after the 25th anniversary of the date on which section 2 comes into force.

“Duty of Board

“(4) The board of directors shall prepare a proposed plan for winding up the corporation and transferring its assets and liabilities and shall give the proposed plan to the federal government, the provincial government and city council.

“Restriction

“(5) The plan for winding up the corporation may provide for the transfer of assets and liabilities,

“(a) to Her Majesty in right of Canada, but only if the federal government consents to the transfer;

“(b) to Her Majesty in right of Ontario; and

“(c) to the city of Toronto

“Same

“(6) Upon the approval of the proposed plan by the federal government, the provincial government and city council, the board of directors shall wind up the affairs of the corporation and transfer its assets and liabilities in accordance with the plan.”

The Chair: Any comment on the amendment? Seeing none, all in favour? Opposed? Carried.

Shall section 13, as amended, carry? Carried.

Shall section 14 carry? Carried.

Section 15, government motion number 20.

Mr Beaubien: I move that section 15 of the bill be struck out and the following substituted:

“Regulations

“15(1) The Lieutenant Governor in Council may make regulations prescribing those matters that are required or permitted by this act to be prescribed or done by regulation.

“Same

“(2) The provincial government shall consult with the federal government and city council about any regulation that the Lieutenant Governor in Council proposes to make.”

The Chair: Any comment on this amendment? Seeing none, all in favour? Opposed? Carried.

Shall section 15, as amended—

Mr Beaubien: One more.

The Chair: Sorry.

Mr Sampson: Don't rush us, Chair.

The Chair: I apologize. Just a moment.

Interjection.

The Chair: Shall section 15, as amended, carry? Carried.

Section 15.1, government motion number 21.

Mr Beaubien: I move that the bill be amended by adding the following section after section 15:

“Review of act

“15.1(1) The board of directors of the corporation shall review this act and the regulations one year after this act comes into force.

“Report

“(2) The board shall prepare a report as expeditiously as possible on its review and, in the report, the board may recommend changes to this act and the regulations.

“Same

“(3) The board shall give the report to the federal government, the provincial government and the clerk of the city of Toronto; the report given to the clerk is to be addressed to the mayor and members of the council.”

The Chair: Any comment on this amendment? Seeing none, all in favour? Opposed? Carried.

Shall section 15.1, as amended, carry? Carried.

Shall section 16 of the bill carry? Carried.

Shall section 17 of the bill carry? Carried.

Shall the title of the bill carry? Carried.

Shall Bill 151, as amended, carry? Carried.

Shall I report the bill, as amended, to the House? Carried.

That concludes the business of this committee, in time for Mr Christopherson to get back to the Legislature. We shall adjourn until next week.

The committee adjourned at 1137.

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Also taking part / Autres participants et participantes

Mr Craig Simons, legal counsel, Ministry of Enterprise, Opportunity and Innovation

Clerk / Greffier

Mr Katch Koch

Staff / Personnel

Ms Laura Hopkins, legislative counsel

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Legislative Assembly of Ontario

Third Session, 37th Parliament

Assemblée législative de l'Ontario

Troisième session, 37^e législature

Official Report of Debates (Hansard)

Thursday 12 December 2002

Journal des débats (Hansard)

Jeudi 12 décembre 2002

Standing committee on finance and economic affairs

Archives Awareness Week
Act, 2002

Congenital Heart Defects
Awareness Day Act, 2002

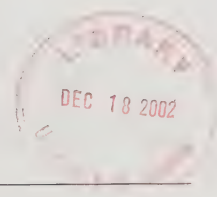
Comité permanent des finances et des affaires économiques

Loi de 2002 sur la Semaine de
sensibilisation aux archives

Loi de 2002 sur la Journée
de sensibilisation
à la cardiopathie congénitale

Chair: Joseph Spina
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 12 December 2002

Jeudi 12 décembre 2002

The committee met at 1002 in room 151.

SUBCOMMITTEE REPORT

The Chair (Mr Joseph Spina): First we need an adoption of the subcommittee report. Do I have someone that will move the report of the subcommittee?

Interjections.

The Chair: Mr Phillips, Mr Christopherson, which one of you would like to read it into the record, please?

Mr Gerry Phillips (Scarborough-Agincourt): Your subcommittee on committee business met on Thursday, November 28, 2002, and recommends the following:

(1) That the committee meet on Thursday, December 12, 2002, at 10:00 am for the consideration of Bill 116, An Act to proclaim Archives Awareness Week, and Bill 117, An Act to proclaim Congenital Heart Defects Awareness Day.

(2) That the clerk of the committee, in consultation with the Chair be authorized prior to the adoption of the report of the subcommittee to commence making any preliminary arrangements to facilitate the committee's proceedings.

The Chair: Thank you. All in favour of receiving the report? Opposed? Carried.

ARCHIVES AWARENESS WEEK ACT, 2002

LOI DE 2002 SUR LA SEMAINE DE
SENSIBILISATION AUX ARCHIVES

Consideration of Bill 116, An Act to proclaim Archives Awareness Week / Projet de loi 116, Loi proclamant la Semaine de sensibilisation aux archives.

Mr Phillips: I move approval of Bill 116.

The Chair: All in favour? Bill 116 is carried.

Shall section 1 of the bill carry? Carried.

Shall section 2 of the bill carry? Carried.

Shall section 3 of the bill carry? Carried.

Shall the preamble carry? Carried.

Shall the title of the bill carry? Agreed.

Shall I report the bill to the House? Carried.

We shall return Bill 116 to the House this afternoon. If I could ask Mr Johnson if he'd be kind enough to take the chair, please.

CONGENITAL HEART DEFECTS
AWARENESS DAY ACT, 2002LOI DE 2002 SUR LA JOURNÉE
DE SENSIBILISATION
À LA CARDIOPATHIE CONGÉNITALE

Consideration of Bill 117, An Act to proclaim Congenital Heart Defects Awareness Day / Projet de loi 117, Loi visant à proclamer la Journée de sensibilisation à la cardiopathie congénitale.

The Acting Chair (Mr Bert Johnson): We are now dealing with item 3, the clause-by-clause of Bill 117. Are there any comments, questions or amendments to any of the sections of the bill? If so, which sections? None?

Shall the preamble—

Interjection.

The Acting Chair: You want to go in order. I can get to the bottom without going in that order. But anyway, shall section 1 of the bill carry? Carried.

Mr John O'Toole (Durham): I think the member who sponsored the bill wants to say something.

The Acting Chair: I'll give him a minute later.

Mr Joseph Spina (Brampton Centre): Do I need to move the bill, or is it considered moved?

Interjection.

Mr Spina: OK. Go ahead, sir.

The Acting Chair: Shall section 2 of the bill carry? Carried.

Shall section 3 of the bill carry? Carried.

Shall the preamble carry? Carried.

Shall the title of the bill carry? Carried.

Shall Bill 117 carry? Carried.

Shall I report the bill to the House? Agreed? So be it.

Could I have a motion to adjourn?

Interjection: So moved.

The Acting Chair: All in favour? So be it.

The committee adjourned at 1006.

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Third Session, 37th Parliament

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**Official Report
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(Hansard)**

Monday 27 January 2003

**Journal
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Lundi 27 janvier 2003

**Standing committee on
finance and economic affairs**

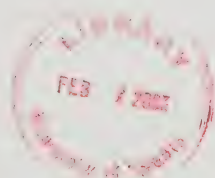
Pre-budget consultations

**Comité permanent des finances
et des affaires économiques**

Consultations prébudgétaires

Chair: Joseph Spina
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STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Monday 27 January 2003

Lundi 27 janvier 2003

*The committee met at 0903 in room 151.*PRE-BUDGET CONSULTATIONS
MINISTRY OF FINANCE

The Chair (Mr Joseph Spina): Good morning, ladies and gentlemen. This is the beginning of the pre-budget consultations for the committee on finance and economic affairs. Welcome to everyone, and a happy new year to those we haven't seen so far.

We begin our agenda today with comments from the Minister of Finance, the Honourable Janet Ecker, followed by questions and answers from committee members. That will be split equally in the remaining time until the hour is up.

Are there any items the committee wants to bring forward before we begin?

Mr Gerry Phillips (Scarborough-Agincourt): Just a quick one. I submitted questions to the minister and I gather the answers are available, but we don't yet have them. I find them useful in listening to the minister's remarks. I suspect they're coming shortly.

The Chair: Yes. They're being photocopied right now, as I've been informed by the clerk, and they will be distributed and given to the minister, of course.

Mr Phillips: Thank you.

The Chair: There being nothing else, we'll turn the chair over to the Honourable Janet Ecker, Minister of Finance.

Hon Janet Ecker (Minister of Finance): Thank you very much, Mr Chair. Good morning to all the committee members. I'd like to thank you all for this opportunity to address you as part of our pre-budget consultations.

I'm going to be presenting an overview of the government's fiscal and economic plan, beginning with where Ontario stood in 1995, the steps we've taken to put the province on the road to recovery and a report on our progress to date.

I'm then going to identify some of the key issues we must address going forward, as we continue to support job creation, productivity and competitiveness in Ontario's economy.

The Ontario that our government inherited in 1995 had quite simply lost its way. Our economy had virtually flatlined. Real per capita GDP had actually declined between 1990 and 1995. Unemployment was high, and that was simply unacceptable. We were losing jobs to other prov-

inces and to the United States. Public spending and the provincial debt were out of control. We were facing a potential deficit of \$11.3 billion and the provincial debt was growing by \$1 million every hour. Taxes had been rising steadily during the previous decade, driving investment and job creation to lower tax jurisdictions. We were quite simply becoming uncompetitive with our trading partners. Excessive government regulation and red tape were also contributing to stifling investment and innovation.

Since 1995, we've been pursuing a very deliberate plan to place Ontario on the path of growth and prosperity and to keep it there. We've introduced a new set of fundamentals to the fiscal and economic management of the province. We took control of our finances through balanced budgets and reduced debt. We introduced disciplined management of public spending to focus on key priorities and to make sure that the most efficient and effective delivery was there for government programs and services. We cut taxes to raise personal incomes, to make us more competitive with our trading partners and to support investment and job creation. We cleared away unnecessary regulations that were weakening investor and employer confidence and that were crippling investment and initiative. And we made key investments in priority areas to meet the needs of our growing population, to improve the quality of life of our citizens, to build opportunity and to support economic growth.

Our tight discipline in the management of taxpayer resources has played a key role in our turnaround, and I'd like to take a moment to highlight a number of key initiatives.

Through the past eight years we've focused on the priorities that mean the most to our citizens, while finding savings in non-essential programs and more efficient operations. The result has been that, excluding the priority areas of health care and education, real program spending per person has been reduced by close to 30% since we took office. We are taking several initiatives to support better planning, to make government more transparent and to improve our accounting practices and enhance accountability.

We've committed to a budget before the start of the next fiscal year, including a multi-year fiscal framework that will provide projections of economic developments, revenues and expenditures. Based on experience in other jurisdictions, and as recent events have certainly

reminded us, it will be important that the multi-year framework strike a balance between providing increased stability and retaining the appropriate flexibility to respond to changes in economic circumstances and strategic priorities.

We have committed to developing three-year base funding for hospitals, school boards, colleges and universities. Our intent is to provide a more stable and sustainable fiscal framework, while at the same time recognizing that the government and its partners will need to work together to manage the risks, improve the service and enhance our accountability. In the budget this spring we'll take some further steps in this direction.

Effective April 1, legislative spending authority and appropriation control will move to an accrual basis. As the Provincial Auditor has noted, this move will significantly increase the government's accountability to taxpayers.

In addition, we are beginning this year to depreciate assets in the same way that a business does. We are also replacing the many cash-based accounting systems across the government with the integrated financial information system, called IFIS.

All of these measures will lead to increased transparency in government operations and to greater accountability to taxpayers in our stewardship of their tax dollars.

0910

Another important aspect of good management is ensuring that tax revenues are collected fairly, efficiently and effectively. I am pleased to advise the members that in response to the Provincial Auditor's concerns, the ministry will be bringing forward a plan to ensure that all Ontario corporations are paying the tax they owe to Ontarians. I'm expecting to make an announcement shortly on the action plan which will address the default filings issue.

The government has recognized that a sustained, balanced, long-term, multi-year tax reduction plan was essential to return Ontario to growth and prosperity. Our tax cuts over the past eight years have been dramatic, but then they needed to be. By 1995, a decade of higher taxes and new taxes had made Ontario one of the highest-taxed jurisdictions in North America. We've lowered Ontario personal income tax rates by 30%. As a result, 5.7 million Ontarians have seen their income taxes reduced or eliminated. These tax cuts mean a tax reduction of more than \$2,000 for the typical two-earner family of four making \$60,000.

We enhanced the Ontario tax reduction program to focus tax savings on lower-income taxpayers. Since 1995, our tax reductions have relieved an additional 500,000 low- and moderate-income earners from paying any provincial income tax. Unfortunately, 745,000 low-income Ontarians, though, continue to pay federal income tax even though they are paying no Ontario income tax.

When combined with tax rate cuts, our reduction in the taxable portion of capital gains has lowered the top

marginal rate of Ontario personal income tax on capital gains by close to 50%. We've lowered small business tax rates from 9.5% in 1995, one of the highest in the country, to 5.5% today. The general corporate income tax rate was reduced from 15.5% in 1995 to 12.5% in October 2001, and the manufacturing and processing rate was lowered from 13.5% to 11% in the same period. We have reduced the mining tax rate from 20% in 1995 to 12% today.

Our reductions to business education taxes above the provincial average are this year delivering tax savings totalling over \$400 million to Ontario businesses. Residential education taxes have been reduced by \$250 million.

And our changes to the employer health tax have relieved 88% of private sector employers from filing payroll tax returns, and have lowered the employer health tax for all other private sector employers.

As the remaining steps in our current multi-year tax reduction plan are implemented, Ontario taxpayers will see additional benefits.

Legislation is in place to complete an additional 20% personal income tax cut by 2004. This means a typical two-earner family of four, earning \$60,000, will see total Ontario personal income tax savings rising to more than \$2,500 next year.

Small business tax rates will be reduced further, from today's level of 5.5% to 5% in 2004, and to 4% in 2005. By the time our tax reduction plan is fully in place, small business tax rates will have been reduced by a total of 57.9%.

The general corporate income tax rate will be reduced further, from today's level of 12.5% to 8% in 2006. The M and P rate will also be further reduced, from 11% to 8% in 2006. Again, by 2006, the general corporate income tax rate will have been lowered by more than 48%, and the M and P rate by over 40%.

In addition, the mining tax rate will be cut by another two percentage points in 2004.

These tax cuts, together with many others, have helped to move our tax system more in line with those of our competitors and trading partners, and that's an important step. But as the recent tax proposals made by US President George Bush remind us, maintaining our tax competitiveness will require ongoing vigilance.

The goal of providing balanced and sustained tax relief remains central to our economic plan. We would certainly welcome advice on the next steps aimed at improving our competitiveness and productivity in the economy. We're going to continue to work toward eliminating the personal income tax surtax and the capital tax, and a new multi-year tax reduction plan, which will be based on the advice we receive, will address these and other issues in the March budget.

A sound regulatory system can do much to promote confidence, efficiency, competitiveness and growth, while at the same time protecting health, safety, the environment and other vital public interests. We've eliminated more than 1,900 unnecessary and outdated

regulations. We've introduced balanced and innovative regulatory approaches across the government and we've improved regulatory protections in a number of areas such as clean water and clean air.

Another example: to ensure a modern and effective capital market, last fall we moved to strengthen investor confidence with amendments to the Securities Act and the Commodity Futures Act.

Because of the discipline we have brought to public spending, and because of our tax cuts and the resulting economic growth, provincial tax revenues have increased by \$14 billion since 1995. This money has enabled us to reduce debt and invest in priority programs that support our prosperity and quality of life.

Our commitment to health care operating spending in the current fiscal year is \$25.5 billion. That's an increase of almost \$2 billion over last year, excluding the recent announcement of added support for hospitals. Ontario's total health care spending is \$8 billion more than in 1994-95.

In communities across the province, we're seeing the positive impacts of these investments. The number of MRI machines has risen from 12 machines in 1995-96 to 46 this year. That's 34 more MRI machines benefiting communities all over the province. A total of 20,000 new long-term-care beds are coming on stream, and an additional 16,000 beds are being renovated. The number of nurse practitioners is being doubled, focused on northern and under-served areas.

We've substantially increased our support for hospitals as well. So far, we have committed \$2.4 billion to build three completely new hospitals—in Thunder Bay, North Bay, and West Parry Sound—and we're modernizing and expanding more than 80 existing hospitals across the province.

We've invested to increase access to dialysis services, cardiac care and cancer care.

We are creating a new northern medical school located at two sites, in Thunder Bay and Sudbury, so that we can train more doctors and encourage them to practise in the north.

The financing of health care, though, remains a particular challenge, not only to Ontario but to other provinces across the country. In 1995-96, health care operating spending equalled 38% of our total program spending. In this fiscal year it's expected to grow to 47%. In fact, the annual growth in health care operating expenditures continues to outpace our economic growth.

0920

We all know the history of health care financing in Canada, but I think it bears repeating. Over time, the federal government has reduced its share, has cut its share of health spending from its original 50%, down to 18% in 1994-95, and down further to today's level of only 14%. So we've gone from 50% down to 14 cents on the dollar. For Ontario, this has created a shortfall of \$2.1 billion in federal support for health care in the current year. We've made up this shortfall here in Ontario and

also addressed important priorities in other areas: in education, in the environment and in infrastructure.

For example, we continue to invest significant resources in our public education system. Since we took office in 1995, public education funding has increased from \$12.9 billion to \$14.8 billion this year. Just last month, we responded almost immediately to the recommendations of the Education Equality Task Force. We announced \$610 million in funding to support special education, student transportation and the current round of collective bargaining. When added to the almost \$400-million improvement announced in the 2002 budget, our additional investments in public education for the 2002-03 school year alone total \$1 billion.

Also, by investing in new and more rigorous curricula, by setting higher standards, with province-wide testing to chart our progress, with improvement strategies that respond to those test results, with comprehensive standards for teachers' professional development and performance appraisal—through all of these steps we're starting to raise student achievement. The plan is working, because our students' test scores are moving up in year-over-year provincial comparisons and in national and international rankings.

At the post-secondary level, we're undertaking the largest expansion of Ontario's colleges and universities since the 1960s. As part of our comprehensive plan to accommodate increased enrolment, Ontario and our partners are investing \$2.2 billion to create more than 79,000 new student spaces across the province. In the June budget, we announced additional capital funding that will add at least 13,000 more spaces. We asked colleges and universities to provide us with the most cost-effective and creative financing proposals to increase student spaces where they're needed. The deadline for us to receive these proposals is actually today. We will continue to work closely with our post-secondary institutions to ensure that there will be a place for every willing and qualified Ontario student.

As we move toward meeting the challenge of necessary spaces, I also want to acknowledge that we have additional work to do in ensuring that students receive the quality post-secondary education they need for future success. We look forward to working with our post-secondary institutions to do that.

That's one of the reasons why we've been providing significantly increased support for operating costs, state-of-the-art equipment and the special needs of northern colleges. In 2003-04, post-secondary operating grants will be \$368 million higher than in 2000-01. We're also investing more than \$120 million to modernize the apprenticeship system in Ontario so that we can connect more young people and those trained outside of Canada to good careers in skilled trades.

Another critical area for investment is of course the environment. As we announced in the June budget, we are investing more than half a billion dollars over two years in clean, safe drinking water for Ontario's citizens. This investment is focused on improvements to muni-

cipal water and waste water systems and on implementing Mr Justice O'Connor's recommendations and several other additional clean water initiatives. We have, for example, three new pieces of legislation to ensure that we have clean and safe drinking water: the Safe Drinking Water Act, the Sustainable Water and Sewage Systems Act and the Nutrient Management Act. We're doubling the number of inspectors to inspect municipal water systems. We'll also continue to take steps to improve the quality of Ontario's air.

To make Ontario one of North America's top-performing jurisdictions for innovation, we provided an estimated \$2 billion between 1997 and 2001 to encourage research excellence, commercialization and partnerships between industry and research institutions. Ontario's \$2 billion in support of innovation has generated more than \$6 billion in investments in our R&D industry by Ontario businesses, universities, colleges and research institutes. These investments are creating the innovative products and services of the future that will enable Ontario to succeed in the global economy, to build even more jobs and prosperity for our citizens.

Last June, we committed nearly \$800 million in additional funds for research and innovation over the next seven years. This investment will help entrepreneurs to access expertise and commercialize inventions from publicly funded institutions. It will help make Ontario a North American leader in biotechnology. Based on past experience, this commitment can be expected to generate a further \$2.4 billion in additional public and private sector investment in both research and innovation.

Ontario's prosperity depends on ongoing investments in the infrastructure required to support our economy and our quality of life. We've asked SuperBuild to achieve a target of investing at least \$20 billion in infrastructure over five years. By the end of March, approximately \$15 billion worth of capital investment will be at work in Ontario's hospitals, highways, transit systems, universities, colleges and local community infrastructure. For example, when I was in Kenora and Thunder Bay last week for pre-budget consultations, I saw numerous SuperBuild investments in those communities—for example, a recreation centre and a water treatment plant in Kenora; the new hospital in Thunder Bay; a new, advanced technology and academic centre under construction at Lakehead University.

In the current year, we've allocated \$2.7 billion to SuperBuild for investments across the province, and that includes more than \$1.2 billion for highways and transit and an increase of almost 70% for hospitals and other health capital investments.

Recognizing the key role that municipalities play in building our economic growth in their communities, we've also increased funding for the community reinvestment fund by \$40 million in the current year. We're also introducing tax incentive zones to enable communities to break down the barriers to growth and to build on local competitive advantages. The 62 expressions of interest that we've already received propose innovative and inter-

esting ways of renewing communities, of attracting and supporting value-added industries and of sustaining long-term growth.

In the current fiscal year, the province is providing substantial support for municipal infrastructure, but we certainly recognize that much more is required. Therefore, we are providing an initial capital infusion of \$1 billion to the new Ontario Municipal Economic Infrastructure Financing Authority. This authority will issue opportunity bonds to augment the funds available for subsidized loans to municipalities.

Our government made a promise to restore opportunity and prosperity to Ontario. I am pleased to tell the members of the committee that the government's plan is working. Ontario's economy is growing again, and at a rate that is faster than all of the G7 countries, including the United States. In the past eight years, the economy has created 1,035,000 new jobs. That's more than 45% of the jobs created in Canada since 1995. All parts of Ontario are benefiting from these new jobs. This has helped approximately 613,000 people to leave social assistance since 1995.

Average family incomes in Ontario are also rising dramatically. In 1995, two-parent Ontario families with children had an average after-tax income of \$57,000. A growing economy and tax cuts had raised this in real terms by 19% to \$68,000 in 2000. Single-parent families saw a 33% increase in their real average after-tax income, from \$26,000 in 1995 to \$35,000 in 2000.

The days of out-of-control spending and annual deficits are also long gone. Today we're on track for our fourth consecutive balanced budget. Since we ended deficits and balanced the budget in 1999, we've paid down \$4.5 billion of net provincial debt. As a result of prudent management, our long-term credit rating has been raised nine times since 1995.

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Regaining Ontario's ability to make important investments in key priorities did not happen by accident. Those investments are possible because the fundamentals of our plan have moved the economic performance of this province from worst to first.

So, how do we move forward? How do we create more jobs? How do we keep building Ontario's competitiveness and productivity to secure future prosperity? How do we generate the revenues we need to meet growing public expectations for world-class public services?

The short answer is by sticking with the plan, by continuing with the initiatives that set the stage for Ontario's turnaround: vigilant fiscal management, lower and more competitive taxes, balanced budgets, reduced debt, and key investments in priority areas.

Our tax and fiscal policies have helped Ontario recover from the 2001 economic downturn more quickly than other jurisdictions. In 2002, the economy demonstrated its strength and resilience and exceeded expectations at the time of the June budget. Despite the weak economic performance of the US economy, job creation in Ontario remained solid throughout 2002.

Today I am releasing the Ontario economic accounts for the third quarter of the calendar year 2002. Those accounts show that Ontario's economy continued to grow strongly. In the third quarter, real GDP rose at an annual rate of 3.9%, significantly higher than the 3.1% rate for Canada.

That being said, we still live in an uncertain world. Oil prices continue to fluctuate due to ongoing tensions in the Middle East. The US economy remains tentative and uncertain, and world stock markets continue to be weak. As a result, private sector forecasters have moderated their growth outlook for 2003.

All of this points to the need for continued caution and prudence in the management of our fiscal plan. Strict controls on spending are in place and discretionary spending has been frozen to ensure that we meet our goals this year. As we always do, we are continuing to make adjustments and to reallocate to accommodate our priorities within our resources. The full results will of course be available in the March budget.

The challenge of meeting our targets is made all the more difficult by the federal government in a number of areas.

On health care, the evidence is clear. The federal government is simply not doing its part, and the provinces are paying the price. For the federal government just to return to its 1994-95 national share of health care costs would require an additional \$20 billion in transfers over the next three years, as well as an immediate \$5.4 billion in the current year. Such an increase would provide \$2 billion more to Ontario, rising to close to \$3 billion by 2005-06.

Following last week's Premiers' meeting, Premier Eves noted that the increased support provinces are requesting represents less than half the anticipated federal surplus over the next two years. As the Premier said, "Canadians regard health care as their first priority. Why doesn't the federal government regard health as its first priority? I don't think that's an unrealistic proposal on behalf of the Canadian people."

But health care is not the only concern we have with Ottawa. The federal government continues to short-change Ontario in a number of additional ways: the province, municipal governments and school boards are being forced to make up the shortfall in federal support for the settlement services required by immigrants to Ontario; Ontario continues to be the only province where the federal government has refused to sign a labour market development agreement; both the funding and the time being offered by the federal government to ensure proper implementation of the Youth Criminal Justice Act are inadequate; while services for aboriginal people are a constitutional responsibility of the federal government, it covers only 34% of Ontario's spending on services for our aboriginal communities, and this is clearly not enough.

At a time when the federal Department of Finance recently reported a surplus of more than \$8 billion for the

first nine months of the fiscal year, this simply does not make sense.

Despite these ongoing challenges as we approach the March budget, Ontarians can be confident that the provincial economy is sound. Growth and prosperity have returned. We will not forget the lessons so painfully learned between 1985 and 1995. We will keep focused on the fundamentals that restored confidence, investment and job creation to Ontario: lower and more competitive taxes, balanced budgets, less debt, sound fiscal management and key investments.

Mr Chair, as you proceed with your deliberations, there are a number of areas where we seek your advice:

What are the best ways to structure multi-year base funding to help our hospitals, school boards, colleges and universities plan and manage their activities while increasing accountability to the people of Ontario?

What is the appropriate balance between improving predictability and yet retaining the flexibility the province needs to adjust to changing economic circumstances and priorities?

What further can we do to help colleges and universities reach their goals?

What should be the key priorities for future innovation and infrastructure investments?

How do we get Ottawa to address the growing fiscal imbalance between the federal government and the provinces?

What should be the next steps in providing sustained, balanced, long-term multi-year tax relief to continue to support growth and prosperity?

I'd like to thank the members of the committee for this opportunity to meet with you today. I certainly look forward to your comments and questions, and to the report you will be providing at the completion of your consultations. Thank you very much.

The Chair: Thank you, Minister. With the time left, we have about seven minutes per caucus, beginning with the official opposition.

Mr Phillips: We certainly appreciate seven minutes a year. We'll try to make it as quick as we can.

Mr Marcel Beaubien (Lambton-Kent-Middlesex): You sound like a broken record, Gerry. Last year it was 12 minutes.

Mr Phillips: Yes, that's right. It's getting worse.

In your budget, for 2003 the real growth was going to be 4.2%; in the economic statement last month it was 3.5%; today it's 3.4%. For 2004, in December you estimated 3.9%; it's down to 3.7%. Does that impact on our revenues and, if so, how?

Hon Mrs Ecker: Certainly economic growth, as it increases or decreases, can impact on our revenues. We've seen that the stronger growth last year actually has increased revenues somewhat. We anticipate that we must be prudent for the next year, given how private forecasters have been reducing their forecasts for next year. We've set out our expenditure and revenue forecasts, as we always do, in our regular accounts. I believe

it's covered in the material, and I'm sure the deputy could elaborate further if you wish.

Dr Bob Christie: Just a note that the outlook—

The Chair: Excuse me, Deputy. Would you be kind enough to please state your name for the record, for Hansard.

Dr Christie: Sure. Bob Christie. As part of the general review of the economic situation, the economic outlook for the current year, 2002-03, is basically driven by the performance of the economy last year. That's been revised up from 3.2% to, I believe, 3.5%. We have somewhat stronger growth in the current year, so that gives us a higher base on which we move into future years, which should have some favourable impact on revenue in those outgoing years.

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Mr Phillips: In December you were anticipating asset sales of about \$2 billion this year. Is that still the case?

Hon Mrs Ecker: As the Premier announced, we're going to be retaining 100% of Hydro One because he feels that's in the best interests of Ontario consumers to meet the policy objectives that he set out. There may well be some in-year adjustments on revenue figures. That's not unusual. When you put together a budget plan, you make your revenue forecasts and your expenditure forecasts. You build in-year flexibility into the plan because you quite anticipate that some things will change within the year. So we're certainly making adjustments to ensure that we stay on track for a balanced budget.

Mr Phillips: On page 6 of the answers you gave us in response to my questions, it shows that the goal of Ontario is to get corporate taxes to roughly 30%. Corporate taxes of our competitors in the US are somewhere around 40%. Based on the numbers you provided before, in terms of forgone revenue, if the taxes were at 40%, there would be about \$4 billion more of corporate tax revenue coming in. What's the rationale for wanting to be 25% below our competitors in the US in terms of corporate income taxes?

Hon Mrs Ecker: The rationale is quite simple: we need to attract and keep investment here. We want businesses and highly skilled individuals to come here and we want investors to invest here. When you look at the total package of benefits, if you will, that are offered sometimes in the United States, we have to be very vigilant that what they see when they look at Ontario is a very attractive investment environment.

For example, the United States has a much, much larger market just within its own country than Canada does. That is a benefit for companies that might wish to locate there. So one of the reasons that we think we need to have a very competitive tax rate is to make sure we are attracting and keeping investment here. That's what generates the jobs.

As we've seen with our tax cut plan, and as I've said, a sustained long-term, comprehensive tax reduction plan is what works the best for increasing investment and increasing prosperity and jobs. We need to continue down that road to make sure that the growth is here. The

plan is working, because with the tax reductions we've made to date, we've seen increases in tax revenue, and those increases are coming from increased growth, increased investment that is attracted by lower taxes.

Mr Phillips: Well, it's an interesting debate. I just wonder if we need to compete on the basis of 25% lower corporate taxes. I think we've got several other dramatic advantages.

Just in case I run out of time, page 15 of the responses indicates that private spending on health care continues to increase as a percentage of health care in the province. The numbers you've provided, at least for the last two years, show private spending as a percentage of health spending going up. Why would that be? Is that something you see continuing?

Hon Mrs Ecker: We've always had a blended public-private partner participation in health care. We as a government believe that a publicly administered system, as we currently have, is the way to go, but that shouldn't forestall using the private sector for delivery, for example, or management in places where that makes sense.

Mr Phillips: This isn't delivery; this is spending.

Hon Mrs Ecker: Well, to use the private sector in management and delivery in some cases where that makes sense, but to make sure that it continues to be a publicly accessible system. We've always had private sector expenditure in our health care system and that will remain.

Mr Phillips: But it isn't delivery service; this is the spending side of it. Why would the spending side be going up as a percentage?

Hon Mrs Ecker: I think you might want to address that to the Minister of Health.

Mr Phillips: It's good that she's coming. I didn't realize that.

Hon Mrs Ecker: She? Sorry—

Mr Phillips: Whatever; the minister.

Interjections.

Mr Phillips: If the Minister of Health is coming, great. I will address it.

The Chair: We now move to the third party. Mr Christopherson, seven minutes.

Mr David Christopherson (Hamilton West): Thank you very much, Chair, and thank you, Minister, for your presentation today.

I have to say at the outset that the Ontario you describe certainly doesn't reflect the Ontario that most citizens are seeing. You spend pages and pages and pages talking about the importance of tax cuts and the benefits of tax cuts and how tax cuts are going to be the magic silver bullet for everything, and yet nowhere in here have you talked about what you're going to do about child poverty. We've got more children living in poverty than we ever had before, and you don't even talk about it.

What are you going to do about housing? What are you going to do about the fact that there are more people on the streets of our cities than there have ever been before because you slashed all the services that used to be provided to pay for your tax cuts?

Where's your commitment to the Romanow report? You want to go after the feds. You want to play this, "It's not our fault; it's their fault," but where's your absolute commitment today on behalf of the citizens of Ontario that implementing the recommendations of the Romanow report is an absolute priority of this government? Where's that?

Kyoto: we have the disgrace in Ontario of having our government being opposed to Kyoto and having now seen it passed in the national House. Where's your commitment? You talk about clean air and clean water and you say all the right rhetoric, but where's the money? You've got lots of money for tax cuts. What are you going to do to make sure that Kyoto is implemented, because those are the life-and-death issues that are facing people? Not a word. "Disgraceful" is the only way to describe a presentation like this that does nothing but talk about tax cuts and dollars.

Municipalities: we're going through a nightmare in Hamilton, and I'm sure it's the same across the province in all municipalities. We've got water mains that are bursting in my riding because the municipality isn't able to put the money they want to into capital infrastructure because they're so busy trying to cover off the new services that you downloaded years ago, without giving them the money, to pay for your tax cuts.

So I want to say to you very directly, Minister, that all the things that you're bragging about here are coming at the expense of the things that matter to people.

Where's your commitment to public transit? I was at a public meeting not long ago in Hamilton dealing with public transit for our disabled citizens. The service has been cut year after year after year. Why? Because we have mean-spirited councillors? No. They don't have the money, because they've been given all these new services that you didn't give them the money for. So we've got disabled individuals who are literally trapped like prisoners in their homes. They can't get out, because the only service available to them doesn't have enough money because you thought tax cuts were more important.

We've got massive school closures in Hamilton, and that's not even being decided by our elected trustees. That's your appointed supervisor. The long arm of the dictatorship of this government reaches right into the education system and shuts down our schools, unilaterally changes our boundaries, creating all kinds of havoc and fear and concern on the part of parents for their kids' future.

We've got parents who are wondering what's going to happen to their children who are part of the double cohort. Yes, you're trying to deal with that in terms of spaces—and, by the way, we warned you about this years ago and you did nothing. Why? Because, again, you didn't want to upfront the money because you had to pay for your tax cuts. So we've got parents wondering how they're going to pay their property taxes and how they're going to send their children to post-secondary education. In here, Minister, you bragged about one of your tax cuts

and you said that the funding had gone from worst to first. Well, in post-secondary education we went from first to worst. How's that supposed to help our future?

Interjection.

Mr Christopherson: I hear you, Chair.

On all the things that matter—and I share the concerns of my colleague Mr Phillips in terms of not having enough time to ask the pointed questions, because this is a fine reflection, perhaps, from your ministerial boardroom, but looking at the community of Ontario and looking at what's happening in our cities and the things that matter to people on a day-to-day basis, the quality of life, let alone the desperation that's out there, you don't even comment on it. It's like it's a different world; it's not the same universe in which you exist.

Minister, my general question to you would be, how can you roll in here and brag about this, knowing the kind of deterioration, desperation and complete lack of hope that exists among millions of Ontarians because of the strategies of your government? How do you justify that?

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Hon Mrs Ecker: Mr Christopherson, I respect your view, but I would point back to the record that shows what happens when you don't pay attention to what creates growth and jobs and investment in your province. Your government raised taxes, raised spending, went into debt; you had fewer jobs, you had loss of growth and you had decreases in family income. Under the plan we have put in place we have more jobs, we have fewer children in poverty and we have an increase in take-home pay. We have over one million new jobs in this province. Family take-home income has gone up. Investment has gone up. If you don't have investment, if you don't have businesses here to create jobs, you end up in the trouble that the NDP gave this province in 1995: \$1 million more an hour going into debt, over a million people on welfare—a disgraceful record for this province.

Under our plan more people are working, they're getting to keep more of their money, and investment is up. That is the plan we must continue to follow if we expect this province to grow the way it needs to grow to meet education needs, to meet health care needs, and we do not back away from that.

The Chair: We now move to the government side.

Mr Beaubien: Thank you very much, Minister, for your presentation this morning. That must have been some convention this weekend, Dave, because you were really energized.

Mr Christopherson: I wasn't there.

Mr Beaubien: Oh, you weren't there. OK.

I'd like to put something on the record also, because Mr Phillips and Mr Christopherson mentioned the time allocation. We had unanimous agreement from all three parties that different presenters would be given different periods of time to present. How the presenter uses his or her time is their decision. Whatever time is left is divided amongst the three parties for questioning. That has been the rule for a number of years and it's still the rule today.

Minister, you mentioned that tax cuts are central to the plan, and I would have to agree with that. When we look at our economy compared to the—and I think I'll take your word. You said that our economy is growing faster than all of the G7 countries, including Canada. I think tax cuts are certainly a very important part of the plan.

If we look at some of the incentives that are available in our economy and south of the border, the economy south of the border seems to be sputtering at times. They have low-percentage financing for mortgage rates and they have 0% financing for automobile purchases, and we have that here, yet our economy seems to be performing better.

Mr Phillips mentioned, about the answer on page 6 to the question he asked, that Ohio's combined tax rate is 40.5% and ours is 30.12%, and we want to reduce it. Well, Cleveland and Detroit are probably more central to my universe than Toronto is because they're close to my community. If we look at what's happening in the state of Ohio at this point in time—because they do have 0% financing for car purchases; they do have low interest rates for mortgages—they have two choices, and that's what the Governor of the state says: (1) they can increase spending, which I'm sure you would support because that's what you advocate all the time; and (2) is to lower taxes.

Taxes have worked in the past. We have debated and argued the point that tax cuts have been an integral part of why the economy is performing much better than that of the other G7 nations. Minister, I would like to get your personal point of view and your future commitment to tax cuts. Where do you see this government going in the future? I know you mentioned it in your report, but where do you see tax cuts proceeding in the future, especially with the upcoming budget?

Hon Mrs Ecker: It is a complete plan, if you will, a complete approach that has lower competitive taxes, balanced budgets and an appropriate regulatory environment offering things like an educated workforce, a strong health care system. There is a range of things that help make a jurisdiction attractive to new investment. But key to that is the tax rate, and that's why we have worked as hard as we have to provide \$14 billion worth of tax relief for individuals and our business community here.

We need to finish the multi-year plan we laid out that runs to 2005-06 for personal and business tax reductions that are scheduled to come into effect. We are asking for advice during this pre-budget consultation on what other strategic tax reductions or tax changes are needed to keep us competitive. As I mentioned, as other jurisdictions change, we have to be very vigilant about how our tax system stacks up with our competing jurisdictions. We want to take additional steps on the personal surtax and the capital tax because we need to make sure that when businesses look to this province, what they see is an attractive investment climate so they will come here and stay here. As I mentioned, we have over a million new jobs here in Ontario, but we need to keep that record going. As I also mentioned, you can see the pressures

we're seeing in health care, social services and education, and the only way we will be able to meet them is with economic growth driven by competitive taxes, balanced budgets, less red tape, key investments in economic infrastructure: roads, bridges, water, sewers etc.

Mr John O'Toole (Durham): Thank you very much, Minister, for a very comprehensive overview of what lies before us: this balanced budget and wise fiscal management. I just want to go back to the key issue that I hear in my riding of Durham which, of course, like for many members, is the health care issue. I was very impressed last week with Minister Clement as well as the Premier, along with all the Premiers of Canada, in looking at the federal commitment, as we look at their budget in February, whether or not the \$5.4 billion is a solution—or whatever the solution is. There's a lot of public concern there about the question that Mr Phillips suggested: the increased spending on health care from the private sector.

I've attended a number of forums, and I'm going to ask you the question if I have enough time. The question really came out in the last federal election, when the Prime Minister of this country said that there's no private money in health care. Yet I've paid auto insurance with personal accident insurance all my life; I've paid workplace compensation, which is insurance money; my dental, drug, vision, hearing, all that has been part of my employee plan for years—that's called "insurance." Could you tell me what part of the health care spending—even though I'm looking at Mr Phillips's question—has been, and probably will continue to be, private? By that I mean paid for by some kind of premium plan. I suggest to you that about 40% of the funding in health care is basically private and has been for many years: Blue Cross or whatever you call it, distance travel money, all that insurance money.

The small amount indicated in private sector health spending, in your response to Mr Phillips's question on page 15, indicates an increase from \$12.7 billion to \$14.8 billion. I think that's only measuring a very, very small amount of that health care funding. I know, as a person who goes to a chiropractor the odd time, that I pay a copayment fee and have for many years. In fact, for many years I had to pay it all. Many provinces don't even have that. Many provinces don't have any support in community care, and some of that today is private, where there's a copayment requirement. Could you give us some indication as to the amount of money that's coming from either individuals or insurance plans like compensation or auto insurance?

Hon Mrs Ecker: We can certainly get from the Ministry of Health a more detailed breakdown of what that share is. But as you quite rightly point out, there has always been a blended approach, if you will, between public and private investment and services. Certain ancillary services have been paid for by employers or individuals. What's important, though, and I think the biggest threat to our public health care system in Ontario today, is not whether or not the private sector is involved; it's

whether the federal government will come back to the table with their share of health care funding and also come back to the table to help the provinces make the innovations we need to make to continue to have a publicly accessible, publicly financed health care system here in Ontario.

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While the federal government has cut its share of health care spending from 50% down to 14 cents, this province and other provinces have increased health care spending dollar for dollar as a percentage of what the government spends. We've gone from just over a third to now almost half of what we spend is spent on health care. We have increased health care over \$8 billion. We're starting to see those investments pay off in expanded hospitals, new equipment, new diagnostic services. I believe the biggest challenge, the biggest threat, the biggest risk to public health care is Ottawa not living up to its responsibilities to help share funding with the provinces.

The Chair: Thank you, Minister. That concludes this portion of the presentation. We will begin the next portion of the presentation with the officials from the Ministry of Finance, led by Deputy Minister Bob Christie. If we could just take a moment to shuffle the players around the room, we'd appreciate it.

Hon Mrs Ecker: Thank you very much, Mr Chair.

The Chair: I would ask that, as each of you begins to speak, you would please clearly give your name—I think many of you are accustomed to this—so that Hansard has it accurately. We have two hours with this group. I'm going to ask the deputy, will you be going through a presentation together or in blocks?

Dr Christie: Mr Chair, the plan was for me to do a very short introduction and then have the responsible assistant deputy ministers provide a more in-depth briefing for members in the various areas for which they're responsible.

The Chair: And then when that's completed we'll have the rotation of questions. Proceed.

Dr Christie: Thank you very much. My name is Bob Christie. I'm the Deputy Minister in the Ministry of Finance. To my left is Phil Howell, who is the chief economist and assistant deputy minister for the office of economic policy. To my right is Mr Gabriel Sékaly. He's the assistant deputy minister of the fiscal and financial policy division. Gabe will be providing details of the province's fiscal situation and some other related issues, such as controllership, multi-year-based funding and the change to accrual-based appropriations. John Whitehead, next to Phil, is the director of the personal taxation and fiscal arrangements branch in the office of the budget and taxation. John will be talking about taxation matters. Mr Gourley, sitting behind me, is the CEO and vice-chair of the Ontario Financing Authority. He will be providing an update on the borrowing activities and debt management of the province, as well as discussing the new Ontario Municipal Economic Infrastructure Financing Authority.

In her statement, the minister outlined the set of fundamentals that have been applied since 1995 and indicated

some of the top-line results: clearly, more than a million jobs created since 1995 and about 613,000 people having left social assistance since 1995. Ontario's growth has also been quite favourable when compared to that of the G7 countries, as was mentioned, and Phil will be providing more detail on that. Taxes, both personal and corporate, have also been reduced significantly, and John will provide more information on that. The budget has been balanced and debt has been paid down, and Gabe will give you some additional information about that.

As of the second quarter finances, a balanced budget is projected. This would be the fourth balanced budget consecutively. Of course, since 1995 the province has also paid down a substantial amount of provincial debt. In investments and key priority areas, significant investments have been made, particularly, as the minister noted, in health care but also in education and the environment. As I said, Gabe will provide more information on that picture.

I will now pass the mike to Phil, who will talk to us about the economic situation.

Mr Phil Howell: I'm pleased to have the opportunity today to address the standing committee. Today the Ministry of Finance is releasing third quarter Ontario economic accounts. The accounts confirm that Ontario's rebound from the slowdown in 2001 continued through 2002 and at a pace somewhat faster than expected at the time of last year's budget. Unfortunately, the resilience of the Ontario economy is not being matched to the same degree by the US economy. As was noted in December's economic outlook and fiscal review, this has triggered downward revisions to 2003 forecasts made last June.

Today I would like to provide you with some perspective on current and forecast performance of the Ontario economy. I hope that this economic backdrop will assist you in your forthcoming hearings at Queen's Park and around the province.

As the minister noted in her presentation, the 2002 Q3 economic accounts reveal annualized real gross domestic product growth of 3.9% during that period. This compares to Canadian growth of 3.1% for the same period. While the fourth quarter economic accounts will not be available for some time yet, available data points to continued growth. For example, Ontario employment rose by 47,000 net new jobs in the quarter. Retail spending over the first two months of the quarter is up 1% from the third quarter and 5.8% from a year earlier. Wholesale trade, which includes sales by the big box stores, is up 3.5% in the same period. Non-residential construction rose 3% during the quarter.

The data for the first three quarters of 2002 show that the growth is being driven by domestic demand; that is, spending by consumers on goods and services and housing and by businesses on machinery, equipment and factories. Sustained high economic growth rates require strong growth in domestic demand. Policies that support personal disposable income growth and encourage business investment and profitability underpin domestic demand.

Of course, trade is also critically important to our economic success. However, as this slide shows, net trade, that is, exports minus imports, actually subtracted from growth over this period. This is not surprising given the softness of the US recovery, but it does underscore that policies that promote domestic spending add resilience to an economy and reduce vulnerability to external shocks.

Prospects for continued growth are reflected in Ontario's consumer confidence index, which is up 7% in quarter four of 2002 from the year before. While this index is volatile, it is near historically high levels. The Conference Board's business confidence index tells a similar story. It is up 16% from a year earlier. More importantly, the dramatic shifts in business confidence over 2001 and the first quarter of last year have stabilized in the last three quarters. Significantly, almost half of respondents to the latest survey indicated that it was a good time to expand plant and equipment.

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Private sector forecasters now believe that real growth for 2002 as a whole will be 3.6%. That could edge up further, once today's new data is incorporated into forecasts. The economy has returned to a trajectory of solid, stable growth after struggling in the 2001 global slowdown. That rebound is reflected in job creation performance, as noted earlier by the minister and the deputy. December-over-December job creation jumped sharply in 2002 compared to the previous year.

This slide also highlights the remarkable job creation record since 1995. Over a million net new jobs have been created, accounting for over 45% of the national job gain over the period. Importantly for underpinning domestic spending, over four fifths of these jobs were full-time positions. Over the period, employment in Ontario has grown 20.2%. This compares to 15% for the rest of Canada and just 7% for the United States.

Another perspective on Ontario's improved economic environment is provided by the growth in Ontario's labour force participation rate as measured by the share of adult Ontarians in the labour market. From a low of 65.2% in mid-1995, lower taxes, improved employment prospects and sustained strong economic growth have pushed the participation rate to 68.3%.

Ontario's improved fundamental economic strength and resilience are demonstrated in the next two slides. The first compares Ontario's job creation record coming out of the 2001 slowdown with that of the United States. Since its peak in March 2001, US employment has declined by 1.3%, or 1.75 million jobs. By contrast, over the same period, Ontario employment increased by 3.6%, or 213,000 new jobs.

This performance is markedly different from that after the last global recession in the early 1990s. Then, the reverse was the case. On a peak-to-trough basis, Ontario employment declined by 6.4%, compared to 1.6% in the US. You will also note from the slide that US employment began growing again much sooner than in Ontario.

The Ontario contrast in the two periods is partly explained by significantly different environments. In the early 1990s, personal taxes were rising, budget deficits were large and growing, the Canadian dollar was overvalued and tight monetary policy was holding interest rates up. As well, the economy was absorbing structural adjustments related to the Canada-US free trade agreement.

Today, the budget is balanced, personal and corporate taxes are significantly lower, the dollar is not overvalued, interest rates are low and Ontario's competitiveness has been enhanced by business rationalization and integration within the North American economy flowing from the North American free trade agreement.

The effect of different policy environments is evident in the next slide, which you also saw in the minister's presentation. Rising productivity is widely acknowledged as the only enduring way to achieve an improving standard of living. The broadest measure of productivity growth is real gross domestic product per capita. Since 1995, Ontario's real GDP per capita has exceeded that of the rest of Canada, the US and the average of industrialized countries. The productivity record, combined with strong job creation over this period, reflects the benefits of pursuing policies that lower taxes and encourage investment.

Further evidence of the boost to domestic economic activity provided by this policy approach is provided in the next slide. Over 80% of real GDP growth in the last five years has come from spending by Ontario consumers and investment by Ontario businesses. The ability of Ontarians to spend and invest reduces the economy's vulnerability to weakening foreign demand and increases the capacity of the economy to sustain economic growth.

I will now turn to the outlook for the next two years. This slide shows the evolution of the private sector forecasters' real GDP growth outlook for Ontario since last June's budget. In a nutshell, real growth is now expected to be stronger in 2002 and weaker in 2003. The former reflects the data already in for 2002, showing stronger growth in business and household spending, alongside robust employment growth and less weakness in corporate profits than expected.

The weaker outlook for 2003 primarily reflects the spotty recovery in the US, combined with uncertainty stemming from the current situation in the Middle East. The consensus remains that growth will pick up again in 2004, posting a solid 3.7% pace.

Notwithstanding last week's remarks by the governor of the Bank of Canada that the risk of inflation is increasing, most private sector forecasters expect inflation to remain moderate.

Continued employment growth should reduce the unemployment rate as the rapid growth in the participation rate moderates to a slower pace of expansion.

The key external assumptions underlying the Ontario forecast are shown on the next slide. You will note that Ontario's real growth will continue to outpace the rest of Canada and the US throughout the forecast period. A key

assumption is that oil prices moderate from current levels, reflecting reduced tensions in the Middle East as 2003 proceeds but, more significantly, increased oil production by producers outside of Iraq and a return to more normal production levels in Venezuela.

Interest rates are expected to rise slowly over the period as growth in the US and globally strengthens. In Canada, the Bank of Canada is expected to gradually increase interest rates later this year to ensure core inflation remains within its 1% to 3% target range.

A critical element in sustaining economic growth is consumer spending, which accounts for about 55% of total spending activity in the Ontario economy. Underpinning consumer spending is disposable income or, more specifically, real disposable income. As this slide shows, during the 1993-96 period, real consumer spending growth was constrained by falling real personal disposable incomes. This was the legacy of rising personal tax rates alongside very sluggish employment growth. Since then, tax cuts have contributed to growth in real disposable income, which has translated into significantly higher consumption growth. Over the next two years a further pickup in per capita disposable income will support strengthening consumer spending.

A reason for optimism about the outlook is the interest rate outlook. I mentioned the relatively benign inflation situation earlier. Indeed, one of the significant differences in today's economic environment compared to the early 1990s is the inflationary situation. Not only are rates less than half of what they were then, the level is also very low by the standards of the last 30 years. This has allowed monetary authorities more latitude to stimulate growth through lower interest rates without sparking inflation.

Low interest rates combined with rising personal disposable incomes are also contributing to an improvement in consumers' ability to service their debt. Debt costs as a share of personal disposable income continued to trend downward, which will continue to support consumer spending. Corporate balance sheets are also relatively strong. The slide reveals how business debt-to-equity ratios have declined. Healthy balance sheets will support a pickup in investment spending over the next two years as businesses respond to increasing demand.

This slide shows the quarterly pattern of US real GDP growth over the next two years associated with the annual averages I showed you earlier. This pattern is one of the reasons that forecasters see Ontario growth strengthening in 2004 compared to this year.

Ontario's housing market will remain buoyant over the next two years. Though new starts are expected to retreat somewhat from last year's exceptionally robust performance, strong growth in after-tax personal income and relatively low mortgage rates will continue to ensure historically high levels of housing demand and construction.

Business investment in both machinery and equipment and non-residential construction stalled in 2002, reflecting the global slowdown in economic activity and the

after-effects of the September 11 attacks. Private sector forecasters anticipate that machinery and equipment investment will grow 6.7% this year and 7.2% following last year's 1.9% gain. A similar pattern is expected to prevail in non-residential construction: after no growth last year, spending is projected to grow 4.8% this year and 6.7% in 2004.

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Private sector forecasters are clearly confident that Ontario's economy is poised to continue its rebound from the 2001 slowdown. While individual forecasts naturally vary around the average, all expect solid growth over the next two years. While a sluggish US economy and geopolitical uncertainty in several parts of the world make it unlikely Ontario will grow as strongly in 2003 as last year, the resilience demonstrated by the Ontario economy in 2002's performance is evident in the expectation of stronger growth in 2004. That resilience reflects an economy in which economic participants, be they consumers, businesses or government, are equipped through lower taxes and healthy personal, corporate and government balance sheets to take advantage of the opportunities provided by the domestic and international economies.

Thank you, Mr Chair.

The Chair: Is there anything else, then, Mr Deputy?

Dr Christie: Yes. Mr Sékaly is next to talk about the fiscal situation.

Mr Gabriel Sékaly: My name is Gabriel Sékaly. I'm the assistant deputy minister of fiscal and financial policy. It's a pleasure to be here this morning to present an update to the committee. I'd like to spend a few moments reviewing the province's fiscal outlook and then focus on a number of priority areas, including health and education. I will also briefly outline some recent developments, aimed at making government more efficient, effective and accountable, that are a follow-up to the government's commitments.

In November 1995, the government introduced its balanced budget plan, which set out declining annual deficit targets for the province, culminating in a balanced budget in 2000-01. As the slide indicates, the balanced budget targets were overachieved each year and the budget was balanced in 1999-2000, one year ahead of the schedule laid out by the government. This fiscal year will be the fourth consecutive year in which the government has balanced the budget and the eighth consecutive year in which the government has met or exceeded its deficit- and debt-reduction targets. These results, combined with the Balanced Budget Act of 1999, demonstrate the government's commitment to maintaining a balanced budget on an ongoing basis. As of September 30, the second quarter outlook for 2002-03 is a balanced budget, on track with the 2002 budget plan. The 2001-02 public accounts reported the audited surplus for the year at \$375 million. Once again, the province has received an unqualified opinion from the Provincial Auditor.

The next slide summarizes the fiscal outlook for the current year. As reported in the second quarter Ontario Finances, revenue in 2002-03 is projected at \$66.611

billion. That is \$2.725 billion above the level recorded in 2001-02. As at second quarter, total expenditures in 2002-03 are projected at \$65.6 billion, up \$2.158 billion from the 2001-02 level of \$63.4 billion, mainly due to \$1.7 billion in higher health care program spending, including additional funding for hospitals, OHIP, long-term care, drug programs and other health programs, and \$600 million in increased spending on schools and post-secondary education.

Ontario's 2002 budget plan includes a \$1-billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction at year-end if not needed. With continued uncertainty in the economic and fiscal outlook and consistent with prudent fiscal planning, the reserve was maintained at second quarter to protect the balanced budget.

As at second quarter, the revenue outlook for 2002-03 of \$66.611 billion is up \$67 million from the budget plan and \$65 million from the first quarter Ontario Finances. In terms of major changes reported that quarter, I'd like to highlight the following:

The tobacco tax revenue has been reduced by \$100 million, reflecting a larger-than-expected decline in cigarette consumption. The forecast for land transfer tax revenues has been increased by \$40 million, reflecting the robust Ontario housing market. The forecasts for gasoline and fuel tax revenues have been increased by \$35 million and \$10 million respectively as a result of stronger economic growth.

Other federal payments have increased by \$55 million, including a \$31-million federal contribution toward provincial payments to Ontario farmers for past years and \$24 million in support of provincial primary care health initiatives.

Independent Electricity Market Operator revenues are increased by \$21 million, due to recognition of revenues related to ancillary services, rural rate assistance and remote area subsidies consistent with the treatment in 2001-02 public accounts.

Finally, miscellaneous revenue has increased by \$4 million from the victims' justice fund to support new initiatives as part of a multi-ministry interim response to the Hadley inquest into domestic violence.

The next slide shows operating expenditures for 2002-03 at \$63,519,000,000, up \$65 million from the budget plan and \$63 million from first quarter Ontario Finances. Major changes in that quarter include an expenditure increase of \$73 million to fund Ontario's portion of a federal-provincial transition program for farmers in Ontario, partially offset by \$20 million from the contingency fund. Additional forest firefighting costs resulted in an in-year increase of \$24 million.

Expenditure increased by \$21 million consistent with the treatment in the 2001-02 public accounts to reflect the Independent Electricity Market Operator expenditures related to ancillary services, rural rate assistance and remote area subsidies not included in the 2002 budget.

Increase in legal aid tariff rates effective August 2002 increased expenditure by \$4 million. An additional \$4 million was also provided to help residents, small businesses, farmers, municipalities and municipal organizations affected by severe flooding in northwestern Ontario earlier this year.

Operating expenditure also increased by \$2 million to support the community service improvement grants, domestic violence bail pilot projects, public education and regional conferences as part of a multi-ministry interim response to the Hadley inquest into domestic violence.

Public debt interest costs were down \$45 million from the 2002 budget plan projection due to lower-than-expected interest rates and cost-effective debt management.

The next slide highlights in-year changes in terms of capital expenditure. Net capital expenditure is up by \$2 million from the budget plan. The major change reported is in the capital component of the multi-ministry interim response to the Hadley inquest into domestic violence: \$5 million was provided to enhance safety, security and accessibility of women's shelters and \$2 million for the expansion of the domestic violence court program. The expenditures are offset by \$5 million from the capital contingency fund and \$2 million of revenue from the victims' justice fund.

Since the release of the second quarter Ontario Finances, the government has announced a number of significant investments in priority areas. On November 20, the government announced up to \$350 million in funding for hospitals to enhance patient care. Including this announcement, 2002-03 funding for hospitals will total up to \$9.8 billion, a 12% increase over 2001-02 actual expenditures.

In early December, following the release of the Rozanski report, the government committed funding to implement the three recommendations Dr Rozanski deemed necessary to implement in the current school year, namely: funding to support the current round of collective bargaining, funding to help school boards put more special education resources and programs in place, and funding for student transportation.

Additional funding has also been provided for child welfare to address caseload and volume pressures and for the Ontario drug benefit program due to increased drug costs.

While these investments are not reflected in second quarter Ontario Finances, we expect to accommodate the costs of these initiatives within the fiscal plan laid out by the government. Every year the government reallocates spending from non-priority areas to priority areas to deal with such situations.

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At this point, I would like to briefly review the province's fiscal performance in recent years.

As this slide demonstrates, the government's commitment to controlling spending has allowed the province to reduce spending as a percentage of provincial GDP while at the same time investing in key sectors such as health

care, education and the environment. In 2002-03, total spending as a share of the economy is estimated at 14.1%, down from a peak of 18.9% in 1992-93. That 14.1% total spending, as a share of Ontario's gross domestic product, is at its lowest level since the early 1980s.

With a balanced budget since 1999-2000, the government has begun to reduce Ontario's net provincial debt. As a result of four consecutive deficits of over \$10 billion annually, Ontario's debt rose dramatically in the early 1990s. Net provincial debt as a percentage of GDP more than doubled, from 12.7% in 1989-90 to 32.2% in 1996-97. Strong economic growth, sound fiscal management and three consecutive years of budget surpluses have reduced net provincial debt to a projected 23.7% of GDP in 2002-03.

With respect to specific sectors, the government's investment in health care reflects the priority of the people of Ontario. Health care funding has increased every year since 1995. While the government promised three years ago to invest \$22.7 billion in health care by 2003-04, that amount was exceeded last year, two full years ahead of schedule. Health care base operating spending will be approximately \$25.5 billion in 2002-03, an increase of almost \$2 billion over 2001-02 actual spending of \$23.7 billion. This represents an increase of almost \$8 billion since 1994-95. Health base operating spending represented 38% of total Ontario government spending in 1995-96. In 2002-03, health base operating spending is expected to be 47% of total Ontario government program spending. Over the last three years the average annual rate of increase in terms of health operating spending has been 7.7%.

The government has been encouraging reform and innovation in health care, including Ontario's pioneering telehealth system, which offers quality advice on an around-the-clock basis across the province for an average 3,500 Ontarians every day. Ontario has North America's first free universal influenza vaccination program, administering five million doses annually. Family health networks ensure that services are consistent with the reformed primary care system, and the Ontario Cancer Research Network was created to support research into new cancer treatments.

Turning to the education sector, this graph illustrates that for the 2002-03 school year, funding available to school boards in Ontario in direct provincial transfers and education property taxes will be at a record level of \$14.8 billion. This represents an increase of almost \$1 billion over the 2001-02 funding level and an increase of \$1.7 billion since the introduction of a student-focused funding model in 1998-99.

The creation of the Education Equality Task Force under the leadership of Dr Mordechai Rozanski demonstrates that education is a key priority of the government. The task force mandate was to review the student-focused funding formula and make recommendations on ways to improve fairness, certainty and stability for our schools and our students. Dr Rozanski delivered his final

report and recommendations in December 2002. The government accepted the report and recommendations and committed to implementing its immediate recommendations.

In December 2002, the government announced a \$610-million package for the 2002-03 school year to support investments in the three priority areas identified by the task force: \$340 million to support the current round of collective bargaining; \$250 million for special education; and the \$20-million enhancement for student transportation announced in the 2002 budget is being allocated to address priorities identified by the task force.

The inclusion of the December announcements brings total school board funding to over \$14.8 billion in the 2002-03 school year, which corresponds to an increase of 7% over the 2001-02 school year while enrolment has increased by 0.4% over this period.

The government is committed to addressing the remaining recommendations within the province's multi-year fiscal framework and the planned introduction of multi-year base funding for school boards.

Since 1995, we have focused on building a more open, transparent and accountable government that affirms taxpayers' confidence that their money is being managed effectively and efficiently. As a step in this evolutionary process, the government passed the Taxpayer Protection Act and the Balanced Budget Act in 1999. While we have more to do, we have built a solid foundation for a culture of continuing improvement that works to build public trust in government operations, plan for effective and accessible public services for future generations, advance our accounting and controllership practices, improve accountability to the citizens of Ontario and keep our staff well qualified to meet the challenges of managing in the 21st century.

In keeping with the recommendations of the Ontario Financial Review Commission, we have established a system of annual public reporting of ministries' business plans that communicate their vision, core business activities, performance goals and results. Business plans serve as a tool for public accountability, as they define expectations and report on efficiency, effectiveness and consumer satisfaction. It is important for the public to understand what the public service does and how it is progressing against its publicly stated objectives.

The government is working with its partners in the hospital, school board, college and university sectors to ensure stable and sustainable public services in Ontario.

Everyone has a responsibility to ensure that these essential services are available to people when they need them—today and in the future. To that end, the government has heard and has noted that our partners in the broader public sector need to plan their work more strategically for the current year and years ahead. So this year, the budget will be tabled before the start of the fiscal year.

As many OECD countries have done, the government is taking further steps toward publishing a multi-year fiscal framework that describes revenue expenditures and

economic projections. This is a necessary foundation for developing a model of multi-year base funding for hospitals, school boards, colleges and universities. The government's vision is to develop a new longer-term base funding strategy by working collaboratively with its partners.

Such a strategy must not focus on money alone. Successful implementation of multi-year base funding depends on strengthening the partnership between government and organizations in the broader public sector and on co-operatively developing the mechanisms needed to support this initiative, such as tools to assess ongoing performance, mitigate risks and periodically review funding arrangements. Thus, multi-year base funding will evolve over time while respecting the need to balance the budget and ensuring that other important public priorities such as environmental protection, road safety and policing are funded and external risks are taken into account.

To accomplish this, we will work collaboratively with our broader public sector partners. We are confident that through consultation we can ensure sustainable funding, supporting the best possible services for the people of Ontario.

Better accounting and reporting practices support relevant, accurate information-sharing with decision-makers and the public. A new policy on accounting for tangible capital assets will allow the government and the public to understand the condition of our capital assets, the true cost of delivering government services, and improve our ability to better allocate scarce resources toward the most urgent capital needs. This policy will help governments ensure that the appropriate public infrastructure investments are made for future generations.

The Ontario Financial Review Commission recommended in 1995 that the government adopt the accounting recommendations of the Canadian Institute of Chartered Accountants' public sector accounting board and its budget-spending authority and updates to its fiscal situation. In its response to the commission's 1995 recommendations, the government, in the 1996 budget, indicated that they had adopted the accrual basis of accounting for the financial statements in the budget. Further, the government indicated that adopting PSAB—or accrual accounting—standards for legislative spending authority as recommended by the commission would require further investment in financial systems and training and legislative changes. The government would continue to work toward adopting these changes. As a transitional measure, a reconciliation of accrual or PSAB to modified cash expenditures would be provided at a ministry level in the estimates starting in the fiscal year 1996-97. The Ontario Provincial Auditor has also urged the adoption of the accrual accounting basis for legislative authority and appropriation control.

The government introduced amendments to legislation in the spring budget bill, which received royal assent in June 2002, that converted legislative spending authority and appropriation control to the accrual basis of account-

ing, effective the fiscal year starting April 1, 2003. This change is in line with the government's commitment to improving accounting practices in the context of a more efficient, effective and accountable government. It provides for more effective legislative and management control by enhancing the quality of financial information available, and better reflects the financial obligations of the province.

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On the final slide: the way we manage our day-to-day financial information and how we prepare Ontario public servants to meet the modern challenges of managing public resources will determine the success of our efforts to improve the efficiency and effectiveness of the public sector in Ontario. To that end, we have established IFIS, a single financial management system that will replace the many different systems currently used by the provincial government. It has many benefits, including on-line access to comprehensive financial data, allowing for greater analysis; producing quarterly financial statements and year-end public accounts more quickly and efficiently; and the ability of the government to purchase goods and services as a single buyer and maximize all possible discounts. Finally, IFIS will form a key part of the infrastructure for e-government initiatives.

Finally, modern controllership is a set of management functions that ensure ethical behaviour, clear lines of accountability and stewardship of resources to achieve organizational objectives and report on results. The implementation of modern controllership across the OPS is fundamental to supporting a results-oriented and customer-focused public service. As a former federal Clerk of the Privy Council once pointed out, people make the difference, not systems. In order to work in different ways, they will require appropriate skill development formally and, most importantly, on-the-job training experience. To meet this challenge, the government has implemented a modern controllership training program which is offered throughout the public service to ensure staff have the necessary skills to deal with modern management principles and state-of-the-art systems that can respond to public demand for continuous improvement in the way the government executes its business.

Mr John Whitehead: I'm John Whitehead. I'm the director of the personal tax and fiscal arrangements branch. I wanted to take just a few moments this morning to review some of the key tax policy changes that have been made since 1995.

In 1995, Ontario's personal income tax rate was set at 58% of basic federal tax. By July 1, 1998, that rate had been reduced to 40.5% of basic federal tax, a reduction of 30.2%. Since then, the government has introduced a number of personal income tax cuts in addition to these basic rate cuts. A 5% across-the-board rate cut was implemented in 1999 toward the government's 20% personal income tax goal, and further reductions to Ontario's first and middle tax rates were made beginning in 2000, when Ontario moved to its new tax-on-income system. As a result of the changes that have been made

since 1995, taxpayers are now benefiting by over \$11 billion per year.

By next year, the remaining steps of the 20% personal income tax commitment that was made in 1999 are planned to be delivered. The first and middle tax rates will be cut to 5.65% and 8.85% respectively, and the 20% surtax will be eliminated for those taxpayers who pay surtax only in the first tier.

The chart that you have in front of you now shows the effect of these changes over the years. At all income levels, personal income tax is down in Ontario. In the first bracket, for example, our rate has dropped from an effective rate of 9.86% in 1995 to 6.05% today. Of course, it's on its way to 5.65% by January 1, 2004.

In addition to the rate cuts, you'll notice that the tax brackets engage at different points now than they did before. This is a result of indexing the brackets. Ontario's consumer price index is used to increase the income level at which the next tax rate applies. The surtax thresholds are also indexed to ensure that non-surtax-payers whose incomes rise at the rate of inflation will not become surtax payers. As a result of the government's plan to eliminate the surtax, the first tier of the surtax will be raised to the level of the second tier effective January 1, 2004. The remaining surtax will be calculated as 56% of basic Ontario tax in excess of an estimated \$4,850.

Because the surtax is based on Ontario tax and not income, there is no single income point at which the surtax engages. For the purpose of this slide, we have used interest income, which is the least advantageous demonstration of where the surtax would begin. Other forms of income would begin higher.

Cutting Ontario tax rates was key to reducing Ontario's personal income tax, but the government took many other important steps as well. In 2000, non-refundable credit amounts were increased by approximately 1.4%.

In 2001, tax support for students and people with disabilities was increased substantially more than the rate of inflation. For example, the underlying amount of the disability tax credit was raised from \$4,293 in 2000 to \$6,000, an increase of about 40%.

The education amount for full-time post-secondary students was also increased, in this case from \$200 a month to \$400 a month.

Starting in 2001, all of the key components in the calculation of Ontario personal income tax are now indexed to inflation. This includes the income tax brackets and the non-refundable credit amounts. It also includes the surtax thresholds and the parameters we use to calculate the Ontario tax reduction. The increase to these amounts in 2003 reflects a 1.7% inflation growth in Ontario.

On a cumulative basis, Ontario's personal income tax system has been indexed by more than 8% since 2000.

The next slide shows that the Ontario tax reduction program reduces or eliminates the Ontario personal income tax otherwise payable by individuals with low or moderate incomes. All Ontario tax filers can claim a

basic amount in this program—\$181 was the basic amount in 2003, plus a supplementary amount—calculated as \$334 in 2003, for each dependent child under age 18 and disabled or infirm dependents. No Ontario tax is payable if it is less than the sum of these amounts, and reduced tax is available to people with more than this amount.

The 2002 budget enriched the Ontario tax reduction by increasing the basic amounts for 2003. The benefits of this enrichment will be amplified when the remaining tax rate cuts take place in 2004. As a result, 50,000 lower-income individuals will be removed from Ontario's tax rolls.

Because the Ontario tax reduction is based on family characteristics and Ontario tax, not income, we again have a situation where there is no single income level below which Ontario taxpayers benefit. However, taking the example of a single individual with employment income only, that individual could earn up to \$11,980 and pay no Ontario tax.

The taxes on capital gains have also been reduced. In 2000, Ontario reduced the taxable proportion of capital gains from 75% to 50%. The proportion of taxable gains was cut from 75% to 66 2/3% in February 2000 and down to 50% in October 2000. When combined with Ontario's rate cuts, the top marginal rate of Ontario personal tax on capital gains has been reduced by nearly half and the marginal rates of Ontario personal income tax paid at lower income levels has been cut by nearly 60%.

In the example shown in the chart you're looking at, the top marginal rate of Ontario personal income tax was 21.9% in 1995, and 75% of the gains were included in income. As a result, the individual in this case would have paid \$164 in tax on \$1,000 of gains in 1995. The top marginal rate of personal tax is now 17.4%, and only half of the gains are taxed. As a result, the same \$1,000 gain today will generate only \$87 of tax. This is a decrease of about 47%.

The combined federal and Ontario marginal rates of personal income tax on capital gains are now broadly comparable across all income levels with the tax regime in the United States.

There has also been a significant package of support for small businesses in Ontario. In 1995, Ontario's small business corporate income tax rate was 9.5%, which was one of the highest in the country. The small business rate is being reduced to 4% by 2005, which is an overall rate reduction of about 58%. At the same time, the income threshold for Ontario's small business rate is being increased, to \$400,000 by 2005; that's twice the original level. In 2005, when our small business rate cuts are fully implemented, Ontario will have the second-lowest small business corporate income tax rate among the provinces.

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Moving on to general corporate tax rates and manufacturing and processing rates, in 1995 our general corporate tax rate was 15.5%. Today we're down to 12.5%, and by 2006 the general rate will reach 8%. This

is a cut of approximately 48.4%. In 1995, Ontario's corporate manufacturing and processing rate was 13.5%, and by 2006 we will be at 8%, a cut of 40.7%.

Moving on now to property tax, property tax was the subject of probably one of the biggest reforms in Ontario's history. In 1995, the base on which property tax was assessed was inconsistent across the province. It was a major reform and a move to a fairer tax system when the province moved to a consistent basis of property assessment. In 1998, the province took over responsibility for education funding and moved to bring property tax rates for education under control and to ensure a fair and consistent treatment for all school boards. The province introduced a uniform education tax rate for all residential and multi-residential properties which was equal to one half of the previous average education rate. In 1999, the government committed to cut the residential education tax rate by a further 20%, and it implemented the first 10% of that cut in 1999.

On the next slide, we highlight that the business education tax rates were also being reduced, and the government has committed to reduce the business education tax by a total of \$500 million.

Moving on to the next slide, the tax cuts on business have been focused on the areas of the province with the highest business education taxes. The tax cut initially focused on municipalities with tax rates above 3.3%, but that target rate has now been lowered to 2.65%. The government has also accelerated these cuts to match municipalities across Ontario which were also reducing their business taxes.

In 1996, Ontario began the process of eliminating the first \$400,000 of payroll from the employer health tax. The \$400,000 exemption was fully in place by July 1998, and the employer health tax on self-employed individuals was eliminated entirely in January 1999.

There have been sales tax reductions during this period as well. Under some pressure to reduce taxes in the context of rising fuel costs, the government moved to ensure that consumers would realize the full benefits of its tax cuts and took action to give consumers the direct benefit by cutting the tax on auto insurance premiums and on repairs and replacements made under warranty.

A wide variety of initiatives have been implemented to address specific policy objectives, including research and development measures: the Ontario business research institute tax credit, for example; the innovation tax credit; a new technology tax incentive which provides an immediate deduction of eligible costs of qualifying intellectual property acquired by a corporation. Education and training measures have been implemented, including the co-operative education tax credit, a 10% refundable credit of eligible costs incurred in providing a work placement. There has been a school bus safety measure, alternative fuel vehicle and biodiesel measures, measures in support of call centres and farmers, and changes to the land transfer tax as well.

The benefits of the tax cuts have been outlined in several budgets. We'll touch on just a couple here. In the

case of this particular family, \$60,000 income, two earners with two children, it is now paying \$2,125 less Ontario income tax this year than it would have paid without the tax cuts, and in total can look forward to a \$2,515, or 55%, reduction in the tax that would otherwise have been payable without the tax cuts that have been put in place. The same family, if it was living in a \$200,000 home, would also be realizing about another \$84 of benefits on its property tax.

In the next example we see a family with \$30,000 of income. This is a single-earner family of four currently paying \$1,620 less in Ontario income tax, a saving of 100%. This family, I might note, is continuing to pay federal tax. This family will pay \$2,195 in federal personal income tax in 2003.

The benefits of tax cuts also help us on a competitive front. In the next slide you can see the comparison to other provinces. It's a little busy, but Ontario is right in the middle there, with the tallest bar in dark blue. Ontario's personal income tax rates on most individuals in the first two brackets are now tied, as a result of the cuts, for lowest in Canada. By 2004, Ontario personal income tax rates will be the lowest in Canada for individuals in the first two tax brackets. The top marginal rate of Ontario personal income tax on ordinary income is now the fifth-lowest among the provinces.

In comparison with the United States, this chart shows the impact of the changes that have been made. The combined federal-Ontario marginal personal income tax rates are now broadly comparable with those of competing US states for taxpayers earning less than about C\$60,000. As a result of the Ontario tax cuts, the top marginal rate is also more in line. Combined federal-state personal income tax in the US ranges from about 38.6% to about 45%. At 46.4%, the top marginal rate of Ontario personal income tax is only slightly higher than that of the States. One thing we are watching and that you can see through this chart is that as one gets into the higher income ranges, Ontario's highest rate of tax cuts into a much earlier income level than is the case in the United States.

Moving on to our next chart, showing the support for small business: by 2005 the small business rate will be down to 4%, a rate reduction of about 58%. The government has extended this rate to more businesses by increasing the income level eligible for the small business rate.

Moving on to the next slide, we can see the comparison with the tax rates in place in the United States and where Ontario's rate will be. When Ontario's corporate income tax rates are fully implemented in 2006, the combined general corporate income tax rate will be more than 10 percentage points lower than the US Great Lakes states' weighted average rate.

In terms of the benefits of the property tax cuts, education property tax cuts are now saving Ontario taxpayers about \$650 million per year, business properties are currently saving \$400 million per year and homeowners are saving \$250 million per year. Our target

remains roughly \$1 billion of tax savings to businesses and corporations through the property tax cuts that are planned.

For employers who pay the employer health tax, currently about 88% of private sector employers no longer have to file an employer health tax return as a result of a \$400,000 exemption, and all other employers pay less tax.

Just by way of context, the federal government's changes are demonstrated in the following table. More than two thirds of the income taxes paid by the people of Ontario are levied by the federal government. While the federal government has cut income taxes—and the changes are not small, but on a relative basis they are modest compared to what Ontario has done, roughly half or less, depending on the particular example chosen.

Finally, on our last slide, when the cuts are fully implemented for the general corporate income tax rates in 2006, Ontario will have cut its corporate income tax rates by twice as much as the federal cuts.

Mr Michael Gourley: My name is Michael Gourley. I'm pleased to provide the committee with an update on the province's borrowing and debt management program. We have about 10 slides. I'll try and get through them as quickly as possible.

1100

With me today from the Ontario Financing Authority are Mr Gadi Mayman, executive director of capital markets, Mr Bill Ralph, who is director of corporate finance, and Mr Richard Rose, who is the manager of accounting and financial reporting.

The first slide basically shows our long-term public borrowing, as forecast for this year, to be about \$13.1 billion. To date, we've completed about \$12.1 billion of that planned long-term public market borrowing. The province's issues are generally well received by investors, despite uncertain times in both the domestic and international capital markets. I'd like to describe to the committee today how we've approached the financial markets so far this fiscal year.

We clearly take a flexible borrowing approach to the domestic and international capital markets, monitoring them closely on a daily basis to ensure optimal timing of new bond issues. While the Canadian dollar market is the primary source of financing for the province's long-term borrowing, we will borrow in any major capital market where it's cost-effective for the province to do so. We aim for a smooth debt maturity profile to diversify our interest rate risk for the refinancing of maturing and floating rate debt.

We also structure our debt products to meet the needs of investors and to meet our own borrowing requirements in a cost-effective manner. The Canadian market remains the most favourable source of funding and, to date this year, about three quarters of our public borrowing was raised in the Canadian dollar market. In the next slide, you see that 75% of the borrowing has been done in that market, the gold colour indicating Canadian-dollar-denominated instruments. We use different instruments

to achieve cost-effective borrowing, and I would just say, for example, that the US dollar has been the most favourable foreign currency the province has used this year. We've raised the Canadian-dollar equivalent of about \$2.9 billion through US-dollar issues this year. While roughly 60% of these issues were bought by US investors, as one might expect, more than a quarter of the US-dollar issues were purchased by European investors, with the remainder being bought by Asian, Middle Eastern and Canadian investors. So even though it is a US-dollar issue, as you would expect, there is a global market for these US-dollar issues by Ontario.

The \$11.6-billion borrowing to date excludes debt buybacks. We bought back approximately \$517 million of previously issued debt, and financed the purchases with similar amounts of debt issued at more favourable rates.

Looking at our outstanding debt, you can see that as of second quarter Ontario Finances, net provincial debt was \$112 billion, as it is forecast to be as at March 31, 2003. The largest component of our net provincial debt is issued in the public markets, with publicly held debt consisting of over \$86 billion in outstanding long- and short-term debt. In addition, the province has \$26 billion in non-public debt, and this is primarily held by the CPP—the Canada pension plan—the Ontario teachers' pension fund and the public service pension fund. This debt is not tradable in public markets.

The next slide illustrates two of our debt management policies and our borrowing policies. We manage the province's debt and liquid reserves prudently and cost-effectively. Our annual financing plans are prepared by the OFA and take into consideration economic assumptions, interest rate forecasts, foreign exchange forecasts and all of those factors that affect our markets. We strive to be at the forefront of debt management, and we want to ensure that our measurement of our performance is effective. So the cost-effectiveness of our borrowing, of our debt management activities and investment activities themselves are measured daily against benchmarks that have been approved by our board of directors. This ensures that we keep a close watch on all of these indicators and manage our performance accordingly.

As you can see from this slide, we've been well within our exposure limits, that is to say, the limits approved by the board of directors, with interest rate exposure being limited to 25% and foreign exchange exposure limited to 5%. As of December 31, our foreign exchange was 1.6% of total debt outstanding, rather than the limit of 5% that it could have been. As of the same date, our interest rate resetting exposure was at 11.1% of total debt outstanding.

I would like to just take a moment to give the committee an illustration. In fact, there is a US\$3-billion, 10-year bond that matured today. So it matures on January 27, 2003 and it was issued 10 years ago. Through a series of financial transactions and management techniques, the OFA has eliminated that foreign exchange exposure and basically saved over that period of time about \$700 mil-

lion. So if we had to repay and had said we were going to take the interest rate exposure instead of swapping and locking in our debts at a Canadian-dollar equivalent, we would have had to pay \$700 million more today than we originally borrowed. But we did not do that and that's one of the reasons why we are so careful in the management of the province's debt.

Moving on now to the credit ratings, basically Ontario's recent credit rating improvements have been based on the province's financial record: three consecutive balanced budgets and a fourth projected for this year; improved overall competitiveness of the economy, as Mr Howell outlined, including the tax cuts that Mr Whitehead outlined; and generally the prudent fiscal policy and continuing improvement in the province's debt profile, this having been outlined by Mr Sékaly. The next slide simply shows the nine rating improvements, including four upgrades in the long-term credit rating that the province has experienced in the past eight years.

In the two slides that follow, one deals with the Ontario Electricity Financial Corp. That's an agency of the province responsible for servicing and management of the former Ontario Hydro's debt. For 2002-03, the OEFC is refinancing debt maturities of about \$2.7 billion. The OEFC is also responsible for managing the electricity consumer price protection plan as well.

Moving on to the OEFC's debt itself, we see on this slide that the total liabilities have declined by more than \$500 million, from \$38.1 billion in 1999 to \$37.6 billion as of March 31, 2002. The total debt, which consists of outstanding long-term and short-term debt, has declined by \$1.1 billion, from \$30.5 billion in 1999 to \$29.4 billion as of March 31, 2002. Stranded debt, which is the net deficiency of assets over liabilities, was \$20.1 billion as of March 31, 2002.

Moving on to the next slide, on August 19, at the Association of Municipalities of Ontario conference, the Premier announced the creation of the Ontario Municipal Economic Infrastructure Financing Authority and the introduction of tax-free opportunity bonds. This whole set of programs will ensure that all municipalities, both large and small, will be able to share in the benefits of opportunity bonds. The Premier also announced a capital injection of \$1 billion in seed capital to OMEIFA and that an additional \$120 million would be provided from the Ontario Clean Water Agency dedicated to clean water and sewage treatment projects. Legislation was introduced to establish OMEIFA as a crown agency and to provide certainty regarding its governance and accountability, and it received royal assent on December 9, 2002.

Chair, that concludes my presentation.

The Chair: Thank you, sir. That concludes it all, then, Deputy?

We have about 50 minutes and we'll begin with the third party. Mr Christopherson, you have the lead.

1110

Mr Christopherson: Thank you for that comprehensive presentation. I don't have a lot of questions actually. Recognizing that questions at this point are

certainly meant to be for fact-gathering and clarification as opposed to the usual cut and thrust of politics, and since staff aren't in the same position as politicians, I won't at all attempt to move away from that. I just have some very straightforward questions—some clarification actually.

Bob, in the first document—actually it was Phil Howell who made the presentation. Could you just clarify for me a little more and expand on the slide on page 4, where it talks about "Domestic Spending Drives Growth In 2002"? Can you just walk me through that again, please?

Mr Howell: What this slide is showing is the contribution to growth that the different parts of the economy make during the year. We're looking here at the data we have for the first three quarters. I think it was 7.2% growth in the first quarter, 4% in the second and 3.9% today. It's looking within the growth in real GDP represented by those growth rates. What this is saying is that 9.1% of that was accounted for by spending on residential construction and housing. That would include new construction as well as renovation. Four per cent of the growth that came during that period was accounted for by businesses spending on machinery and equipment in factories and so on.

The negative net trade means that, in effect, exports minus imports were a drag on growth over the period, reflecting the fact that the growth of exports was off, as I mentioned in my remarks, reflecting sluggish US growth at the moment. So it's really just a way of looking at the growth that happened during the period and then breaking down who was responsible for the spending that drove that growth.

Mr Christopherson: In your own words, how important is the question of exports and imports in terms of impact on our overall economy?

Mr Howell: Trade is important for a number of reasons, and it's important on both sides of the equation, both exports and imports. If you take a look at gross exports as a share of GDP, that number has grown significantly in recent years. Interestingly, exactly the same thing has happened with import spending numbers, and that partly reflects the increasing integration of our economy, particularly with the US, in the case of Ontario, but also reflects changes in production processes over the period and the significantly increased use of imported components in the production of exports. This has been notable for years in the auto sector, but it has now spread to other sectors. While the gross numbers have risen, you have to understand that there's been a fairly significant rationalization of production processes. Just focusing on that gross number as a share of total GDP, as some people sometimes do, overstates the significance of trade, because it's a huge number.

The point I was making in the presentation is that while trade is certainly very important and will always be important to us and is a significant opportunity for growth—and when you have a situation like we currently have in the Ontario economy, we're definitely poised to

take advantage of demand growth in the US, and that obviously contributes to jobs and so on—it's equally important, if your objective is to try to sustain growth on a consistent basis over time, to ensure that you've essentially got the economy firing on all cylinders. And while trade is extremely important in the economy, it's just one cylinder of the economy.

Mr Christopherson: You say it's just one cylinder. If this number continues to be negative, given its overall impact on our economy and how much we export, just how much do we really have sovereignty over our ability to have net growth if exports, particularly to the US, because their demand is down, continue to stay at low numbers and in fact continue to drop? In your own opinion, how much latitude do we have as a sovereign jurisdiction to overcome the drag, as you call it, when export numbers go through the basement?

Mr Howell: Of course, as history shows us, the drop isn't going to be there forever. We know the US economy will pick up, and the presentation suggested that by 2004 there will be quite robust growth in—

Mr Christopherson: That's a guarantee on your part you're offering?

Laughter.

Mr Christopherson: Hansard will note they all laughed.

Mr Howell: It's certainly an expectation on my part.

Mr Christopherson: Oh, well—that and a buck, eh?

Mr Rob Sampson (Mississauga Centre): It's a guaranteed expectation.

Mr Howell: I should also point out that the numbers we were using in the presentation today reflect current private sector consensus forecasts.

So in the first place, obviously trade will rebound. Just to reiterate, though, the point that I think is important is that when you are faced with situations you can't control, and one of the things we can't control is what happens to demand growth in the US, you want to ensure that you have flexibility in your economy so that you're not devastated by relying on just one aspect for your growth. Consequently, that suggests engaging in policies that are going to strengthen the ability of the domestic economy to continue moving forward.

Mr Christopherson: You keep answering like that, Phil, and we're going to make you an honorary politician. You know what that will do to your reputation. Fair enough.

At the staff level, to you, Mr Christie, given the importance of jobs to the economy and the fact that we've got unemployment rates that are higher than they were—right now I think they are around 7%. Even in mid-2000, they were about 5.4%. So our unemployment rates aren't the best, and they should give people some pause for concern.

First of all, a straight-up question. Are there discussions at the staff level, or at the political level that you are aware of, taking place with the automakers in terms of putting in place some kind of auto strategy, given that much of the resolution of the negotiations for a new

contract between the auto workers and the manufacturers was that governments at both senior levels would play a significant role in the development of an auto strategy to ensure we have those jobs here, again given auto's overall importance to our economy? Where are we at with that right now?

Dr Christie: First, an observation on the unemployment rate. One of the things we're seeing, I think, on the unemployment rate is that the increase in the participation rate is a big factor behind that. The Ontario economy created a lot of jobs in 2002, and in part because of that, a lot of people came back into the labour force because they felt there was a better chance of getting a job. That's not untypical. When the economy is very weak, people tend to drop out of the labour force because they don't think they can get a job. However, while that's a factor, it's never a cause to be complacent about our unemployment situation and our labour market situation.

The automakers have been in to talk to us in terms of the kinds of things they're looking at. I know they have talked to our Ministry of Enterprise, Opportunity and Innovation, and I know they have been speaking to the federal government because we have, at least at the staff level, compared notes about some of the discussions we've had. To the best of my knowledge, Mr Christopherson, those discussions are ongoing.

Mr Christopherson: But is there any actual plan being worked on? Have you got a directive that you're acting on from one of the ministers saying, "Start pulling something together here because this is a priority and we've got to get it tabled"? Is anything like that happening right now?

Dr Christie: Depending on which automaker, there are different characteristics of a plan, so we're looking at all of the proposals that have been put on the table.

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Mr Christopherson: Another question. The \$2 billion in the last budget on the revenue side was to come from asset sales. Many of us felt those were code words for Hydro; we'd get a fire sale, that money would come in and, like the 407, the government would use that as in-year revenue to boost an election platform. I don't expect you to comment on any of this, Bob. I do expect you to answer the question, though. Given that the government was forced to breathe in some oxygen and cancel the sale of Hydro, my question to you is, how much is the loss of that \$2 billion going to affect your ability to have a balanced budget? If it's not, then what exactly are the sales, if it's not Hydro, that are being actually sold to generate said income?

Dr Christie: At the time of the budget and afterwards, when asked about the \$2 billion, I think the minister indicated that there are a number of assets that are under review that are being looked at. The 2001 budget indicated that we would be going ahead with the disposition of the Province of Ontario Savings Office, just as an example. It's an example of one of a number of assets that are being looked at.

Mr Christopherson: Are you going to reach the \$2 billion?

Dr Christie: That's something, in terms of the reporting on this fiscal year's interim results, that will come with the budget. When we produce the budget outlook for next year, we'll also do an interim report for this year and we'll—

Mr Christopherson: But you must have some idea at this point, given that it's in the current fiscal and we're rapidly coming to the close of that time period. Again, I don't want to be unfair, Bob, but there must be some sense within your ministry that you either are or are not getting close to that \$2 billion.

Dr Christie: What we look at is the overall—we look at all of our revenue and all of our expenditure. As I'm sure members of the committee know from having seen these things over the years, you can have reasonably significant changes on a line-by-line basis as you go through a year and it's how those all come together at the end. In looking at that one sales and rentals line, where the asset sales are, we look at that as part of the whole picture. There is certainly still active review of a number of assets going on, so we won't know the results of those reviews till we get closer to the end of the year.

Mr Christopherson: Do you still need that total \$2 billion to hit your balanced budget?

Dr Christie: As I think the minister and others have indicated, they continue without—as was noted after the Hydro sale, a decision was announced. The continued expectation is that there will be a balanced budget without the sale of that particular asset. All of the expectations on which we're functioning and managing are toward a balanced budget for this year.

Mr Christopherson: Thank you. Shifting gears again, the hydro capping and the debt that's generating: first of all, can you give me a sense of what your projections of the numbers might look like, the range, in terms of the new debt that's being generated as a result of that; and then secondly, what are the plans for the government to ultimately do something about that number which, unless there's a miracle in the magical marketplace, is going to continue ad infinitum to increase?

Dr Christie: I think at the time the changes to the electricity system were announced and the electricity price protection fund was announced, it was indicated that the expectation was that this would be self-financing over the longer term. The expectation is that over the roughly four-year life of that, obviously there will be times when the price is above 4.3 and times when the price is below 4.3. But the expectation is that, roughly, the fund will be in balance by the end of it. A good part of that is a reflection of the availability of monies through OPG from the market power mitigation agreement with respect to those consumers.

Mr Christopherson: Given the fact that we have no control over that, given the current geopolitical climate that exists, given what the price of energy is now and how that will be impacted if indeed there's a war and other things affect the oil supplies, correct me if I'm

wrong, but you can only say that you think everything will be fine by the end of four years. But if things don't go well as, say, some of the stock market predictors in 1999-2000 got it wrong—huge—this could turn into a real fiscal crisis. What plans does the government have in place to deal with this if all the assumptions and projections go wrong?

Dr Christie: The assumptions and projections etc have to be based on the knowledge that we have of where we are in the electricity market. We know, for example, that we have Bruce units coming back into production; we will have Pickering units beginning to come back into production. Those are all quite significant additions to the capacity that haven't been available over the last six to eight months. We've also had—as I am told, not being a meteorologist—some of the more extreme weather that we've been subject to for a while.

The planning has been based on reasonable expectations both about additional supply and the effect that will have on price, as well as the other influences on the electricity market. In looking at it, we've tried to make the most cautious, prudent estimate available, but we have taken into account things like the return to service of those various units.

Mike, I don't know if you wanted to add anything.

The Chair: Actually, that'll pretty well conclude it. Thank you.

We'll have to turn to the government side now. All four of you want to speak. You've got a little less than four minutes each if that's what you want. We'll begin with Mr Sampson, then go to Mr Arnott.

Mr Sampson: Thank you for that caution, Chair. I think this question is probably to a combination of Mr Howell and Mr Gourley.

If I got it correctly, part of good planning in finance is indeed to try to make sure you have a strong domestic economy to help insulate activities that hit the import-export side of the balance sheet that you frankly can't control. There was a lot of talk in all the presentations so far this morning about this thing called disposable income. I'm kind of amused about that. I think it's people trying to dispose of my net income more than I get a chance to dispose of it.

One of the bigger expenditures that one has to face with one's disposable income is the cost of borrowing the money to buy the houses, the cars, the furniture, the TV sets and whatever we all tend to dispose our income on. I noted with interest the comment about the PDI component of the provincial interest line over the last number of years, from the early 1990s to now, and that we have actually benefited from a lower rate structure.

Has anybody in your shop done any work on what the net impact has been on where we can dispose of our disposable income, given that the rate structure has gone from here—when the Liberals were in power, I remember we had rates that were in the stratosphere—to now, some 2% or 3%? That certainly has had an impact on our own net incomes after taxes and where we can spend them, and I would dare say sizable, since debt costs and

interests costs are—what?—50% of our disposable income category. Have you guys done any work on how that has actually helped fuel domestic spending and helped maintain economic growth in the absence of an export problem?

1130

Mr Howell: We certainly track constantly what some people might refer to as affordability measures. That's used particularly in the context of financing a mortgage for a home purchase. We also track the ability of consumers to carry a debt load. Similarly, businesses' ability to finance using debt is dramatically improved when interest rates are lower.

One of the slides I had up showed what has happened with the consumer, and it gives a good indication of the power of lower interest rates, particularly when you have lower interest rates that you expect to prevail because the inflation environment is low and monetary authorities are unlikely to tighten aggressively.

So you have a situation now that, while the absolute level of debt for consumers in Canada is higher, the cost of carrying that debt is actually lower for consumers than was the case five, 10 years ago with smaller amounts of debt. That's the advantage. That's the same story that happens on the PDI side. I think that speaks to the importance of maintaining low-inflation environments, because it does enable people, with some confidence, to engage in borrowing to finance spending.

Mr Sampson: How do you do that?

Mr Howell: How do you keep inflation rates low? There are a number of different things that are important. You certainly want to ensure you have an environment in which government budgets are balanced to take away that sector of upward pressure on demand for funds. If borrowing is needed to finance deficits, then obviously you'll put upward pressure on interest rates. You want to ensure that markets are able to respond to price pressures quickly, or price signals quickly, so that you don't end up building in inefficiencies that distort prices and let prices persist and feed through into inflation. Basically you want to have monetary authorities who are conscious of the threat of inflation and who manage inflationary threats aggressively when they appear.

Mr Ted Arnott (Waterloo-Wellington): Thank you, gentlemen, for your presentation this morning.

A few months ago the federal government informed us that there had been a major accounting mistake in terms of how they dealt with income tax. They informed a number of provincial governments, including us, that we owed them a lot of money, in the billions of dollars, as I recall. I was encouraged when I read the comments of Paul Martin at that time, after he'd of course left the Ministry of Finance, that he felt the provincial governments deserved a break on this. I'm not sure what status the discussions at the federal level are on this, but I'd be interested in hearing from you where we are on that issue and how it affects our fiscal plan for the coming year and future years.

Dr Christie: Certainly, Mr Arnott. The error that CCRA made was reviewed by the federal Auditor General. Our Provincial Auditor, along with the provincial auditors from a number of the most affected provinces, participated in that review or at least reviewed the federal auditor's work. The result of that was a decision on the part of federal Finance Minister Manley to reclaim, or make a claim on, Ontario's financial position in the amount of about \$2 billion, and that was announced earlier last year. When we came to do our public accounts, the way in which the federal government will make this claim on us is through not forwarding monies that they had indicated to us were there, in the amount of about \$700 million, and then they'll deduct about \$1.3 billion from future personal income tax receipts. As you know, they collect on our behalf and then remit to us. So because they have Ontario taxpayers' money, they have the ability to withhold it in satisfaction of their claim on us.

In the public accounts—we discussed it with our Provincial Auditor, who was actually quite helpful to us in working both with the federal government and in looking at the management of this error on the part of CCRA—we had to revise prior years' financial position in light of the claim that the federal government had made. In doing so, we were very clear that this did not impair our ability to continue to dispute with the federal government the legitimacy of what they were doing, because we do continue to dispute it and have continued to have discussions with them on this matter. We also indicated in our public accounts that booking it was felt to be the cautious approach to financial reporting; that booking it also did not in any way detract from the right to take any legal action we might contemplate, and we are in the process of seeking advice on that.

Mr O'Toole: There are so many questions. I appreciate the expertise here this morning. It's helpful in the very short time all of us get to hear from the experts who actually write this stuff.

One issue I'd like a general comment on, because of the limited time, is the Hydro One debt issue and Pickering and the unknowns there. I live there and I know personally from professional engineers etc that all four reactors will never come up; number 1, no, never; 4 and 3, yes; 2, maybe. These are very important numbers. I just throw that out to you.

The other one is the new municipal financing authority, OMEIFA or whatever it's called. Where does that \$1.2 billion show? Is it in the accumulated debt, the \$112 billion, or is it anticipated to show up as straight into debt? Where does that number show?

Another one is the anticipated multi-year funding for a number of major policy areas: health, education, universities, hospitals etc. We all know that multi-year funding is predicated on some formula, some basically federal component. It would be interesting to know what numbers we're using. Is it population? Is it just inflation? Is it a GDP factor? What are we doing to forecast the anticipated federal revenue to make those commitments, and

are they commitments or are they just more rhetoric with the federal government?

The other one is the new accounting principles. I'm interested in those, more or less I think in an educational mode. The IFIS system will show a whole bunch of new debt that currently is shown in some other way in our financial reporting mechanisms. Depreciation and those things will have to show as against receivables. Could you perhaps try to educate us, as generally members of the public—those are our qualifications here—what to expect in terms of the anticipated accounting conundrums as this new mechanism comes forward? Because many people, including us, won't understand it. I've had a couple of opportunities to hear about it. So I'll just throw those out.

There is one other thing. Part of the percentage of the debt has grown—Mr Phillips will make that case, I'm sure—but we show it as decreasing in terms of a percentage of GDP, I think, or growth in the economy. In real numbers, is it up or down? We're adding money every year to that.

1140

Dr Christie: If I could perhaps make a couple of observations and then ask others to bring their expertise to bear.

With respect to the absolute amount of debt, abstracting from the CCRA or setting that to one side, debt has been paid down in the amount of about \$4.5 billion since 1999. The numbers prior to 1999 and from the last few years are actually shown every year in the budget. There's a 10-year table at the back that is quite useful in terms of showing the history of those things.

With respect to federal revenue for health care, the request that all Premiers have made of the federal government is that they restore Canada health and social transfer funding to the proportion of our overall spending on health and social services that we were at in 1994-95, when they began cutting. That formula has been the basis of what Premiers have put forward consistently now for a number of years. What comes out of the discussions with the federal government we'll obviously look forward to.

Perhaps I'd ask Gabe to say something about accounting principles in IFIS and then ask Mike to talk about OMEIFA.

Mr Sékaly: In terms of the integrated financial system, our new accounting system is being built on an accrual basis, which follows the guidelines set out by the Canadian Institute of Chartered Accountants. Basically, where it differs from the cash system we've had in the past, is, for example, if you go out today with your credit card and buy a briefcase but you only pay it next fiscal year—you pay the bill three months from now, which is in April, the next fiscal year—under the cash system, the expense would show up when you pay the bill, but under the accrual system what happens is that it shows up when you get the economic benefit today, when you go out and get it.

That's the difference between the cash and the accrual system. We've had that for our public accounts and our

budget since 1995. The estimates the Legislature votes on every year have been on a modified cash system but as of April 1, 2003, will be on an accrual system. Again, the new financial system is on accrual basis, so it will facilitate that. The reason we hadn't moved before is because we needed this new financial system to be able to implement accrual-based appropriations. The cross-walk between the budget, public accounts and the estimates that you vote on is going to be very clear. There won't be many differences.

In terms of why it's being brought about, why accrual accounting is important—and I can give you a copy of this. This is the federal auditor's report, December 2002, on Financial Management and Control in the Government of Canada. The federal auditor lists why accrual accounting is important in government in terms of helping users appreciate the full scope of government resources, obligations, financing etc and the impact on the activities. It provides a more complete picture to legislators to hold government more accountable in its stewardship of assets etc. I can leave this copy with you in terms of some additional information.

The Chair: Mr Beaubien, you have about 15 seconds.

Mr Beaubien: You mentioned that growth is generated by strong domestic consumer demand. I think it's a recognized fact that the industrial sector is not investing tremendously in machinery and equipment. You also mentioned rising productivity being key to maintaining our GDP. Mr Christopherson alluded to the fact that with the latest round of automobile negotiations there may be some role for government to play—I'm trying to make this quickly—and also with the weak Canadian dollar and the impact it has on the Canadian economy. How do you see it coming together? Sorry for being so quick.

Dr Christie: Perhaps we'll get the expert down here to answer the question.

Mr Howell: I see it coming together positively in terms of the outlook. A number of the factors that you're describing that are critically important to driving productivity growth depend on businesses having the confidence to invest. That confidence comes from a variety of sources. Obviously it comes from being able to look at markets and seeing that there are people out there who are going to buy their products. It also comes from believing that they're going to earn a reasonable rate of return on their invested capital. Obviously, corporate tax rates are one factor that figure into that decision.

Similarly, you want to ensure that there is a broader range of factors in place in the economy that make businesses comfortable in investing. Ultimately that is what does drive productivity growth.

With respect to the dollar, there's no question that we have an advantage at the moment because of the level of the dollar. But it's not a question of trying to keep the dollar at a specific level or to try and stop the movements of exchange rates on international markets as they respond to the demand and supply forces of the currency. Rather, I think you always want to strive to ensure that you have an environment that allows the economy to

respond quickly and flexibly to whatever is thrown in their face.

The dollar has been going up recently. It's not going up rapidly and it's not eating into the advantage that we have because we have a whole host of other advantages that are in place and allow businesses and consumers to continue to take advantage.

The Chair: Thank you, Mr Howell. We move to the official opposition. You'll get your full 16 minutes because we'll run a couple of minutes over.

Mr Phillips: Thank you. I've got quite a few questions that I'm not going to be able to get in. How do I get answers to those?

The Chair: I'm sure if you table them with the committee we can make sure that the—

Mr Phillips: Can I phone somebody on the staff there to get responses to these?

Dr Christie: If, as the Chair indicates, there are specific questions supplementary to the ones you had forwarded to us, by all means pass them along and we'll do our best to respond.

Mr Phillips: Let me begin. The first question is on the hydro rebates. I gather OPG and Hydro One have virtually closed their books for the calendar year. They must have allocated a certain amount of this mitigation fund. You must have an estimate now of what the rebates are going to cost, at least until the end of December. Can you give us some indication of whether the revenue has been generated to pay the rebate? If not, what's the issue there? How much is the rebate to the end of December and how much has been generated?

Dr Christie: This is the gross amount paid in rebate cheques?

Mr Phillips: I assume you've got an estimate now of what the rebates are going to cost and I gather you've got an estimate from OPG of how much revenue they've generated. Did they generate enough revenue to cover the rebate cost?

Dr Christie: As noted earlier, we have looked at the rebate program as a program that exists over the life of this protection fund. So we're looking at it as a longer-term proposition. We're not doing it on a day-by-day basis.

Mr Phillips: But you must have an estimate. Are we talking about tens of millions of dollars or hundreds of millions of dollars?

Dr Christie: I don't have a figure for that. I haven't seen information from OPG or Hydro One recently on this. But we'll certainly make inquiries of when their interim results will be available.

Mr Phillips: When are they available?

Dr Christie: We will inquire as to when those results would be available.

Mr Phillips: I'm a bit surprised we don't have an estimate from you, actually, of what the rebates are going to cost and whether there is a significant shortfall. Four years is not acceptable. You may think it is, but I think the public want to know where we stand on this thing. Is it going to be a significant shortfall? Is it going to add

significantly to the rebate, not over four years but over the short term? But you will get back to the committee on that.

1150

Dr Christie: You've asked about Hydro One and OPG results. We'll find out when those might be available and get back to you on that.

Mr Phillips: And the rebate: how much the estimate of the rebate cost to the end of December is and how much is available to cover that.

Dr Christie: I don't know that we have that information, but I understand the question.

The Chair: Mr Phillips, if I may, just to clarify, the questions, because they're tabled at committee, are directed through research, and they will endeavour to get the answers from the ministry.

Mr Phillips: Good. The second thing is, on the revenue forecast, the minister today said she wanted advice from us on multi-year funding and whatnot. This irritates me to no end. The revenue forecast we have for next year is one number that's eight months old. The minister is looking for advice from us, and all we have on the revenue forecast is one number eight months old, and today we can't get even an estimate of where we stand on this year's revenue. Mr Christopherson asked about the asset sales, and we can't get an estimate on that.

Can you give us any more information on revenue outlook than just the one single number that now is eight months old? Can you table that for us?

Dr Christie: I think that what we have available, as you noted, are the figures in last year's budget. We have also indicated each year what the impact of changes in GDP growth rates are on revenue and on spending etc. So that's the information we have generally provided in that regard. I think that has been—

Mr Phillips: Well, it's a political one. It's insulting, actually, to us to be asked for multi-year funding advice and to have a number that's eight months old and that is one single number.

My third question—and then my colleague has some—on the capital spending front, you've indicated a different way of reporting that next year. This year you show capital spending of \$2.7 billion, and then you subtract the net investment to get it to \$2.1 billion. What impact does the new accounting have for next year? Is it going to be a substantial reduction in the reported net capital expenditures?

Dr Christie: Perhaps I could ask Gabe to respond to that.

Mr Sékaly: Actually, when I talked about the new change in capital, tangible capital assets, we actually implemented it this year. The number you've stated in the budget is the new accounting. That is the new accounting for tangible capital assets that was in the budget this year, where we show the depreciation or the amortization for the capital. So we have implemented that change as of April 1, 2002, and it will be in the voted estimates next year for April 1, 2003, because it will now be on an accrual basis.

Mr Phillips: In last year's budget you indicated you were going to bring more capital on line with this policy. That's not the case?

Mr Sékaly: What we've brought on so far is our major capital, which is transportation, infrastructure, buildings and land, which is about 90% of the government-owned capital. Remaining capital will be brought on line to this new system once our new financial system is fully up and running, which will be in a couple of years.

Mr Phillips: I have one quick question, if I could, to change the subject completely. Public debt interest costs in 1994-95, just before the new government took over, were \$7.8 billion and today they're \$8.5 billion, which surprises me a little bit. It's up \$700 million after eight years and with dropping interest rates. Why would it be that public debt interest costs today are \$700 million more than when the government came in in 1995?

Dr Christie: I think, as you've noted in the past, Mr Phillips, the government's plan when it came in was to eliminate the deficit over a period of years, which it did. In fact, I believe it eliminated the deficit a year earlier than planned. But of course that meant, particularly given the height of the deficit from which that plan began, in the intervening years there were still deficits, albeit declining ones, and those resulted in some additions to the debt on which interest had to be paid. There have been, as you noted, substantial savings on the refinancing of debt included, and those are also reflected in that number.

Mr Gourley, if you'd like to expand on that in any way.

Mr Gourley: My only comment would be that the debt in that year was in the deficit, but the debt was increased in the order of \$12 billion. In 1995, the government was looking at a forecast deficit of \$11.3 billion and it ended up at about \$8 billion. Those numbers alone begin to explain that there was still lots of debt there. There was debt at the time. If the government had been able to balance the budget immediately, then the PDI numbers would more be able to reflect a reduction in the interest rates, but because we were taking on \$12 billion a year in terms of new debt, and you had to move from that point to complete the government's plan, additional debt was incurred. So the \$700 million can be explained. I think it was Mr Sékaly's presentation showing it as a share of GDP. It has declined dramatically. The burden on the overall economy of the province's debt is about half of what it was at that period of time.

Mr Monte Kwinter (York Centre): Mr Howell, can I get your definition of what "real disposable personal income" is?

Mr Howell: It's personal income net of tax payments and then converted into real dollars.

Mr Kwinter: In your slide you talk about "Sustaining Economic Growth: Lower Taxes Support Disposable Income." You show that for 2003-04, the real personal disposable income is 2.6% per capita, as opposed to real consumption at 2.6%. In other words, all the money

people are getting in disposable income they're spending. That doesn't take care of debt. You also show another slide saying that they have far more flexibility because the servicing of the debt is coming lower. Do you have any statistics that show what the per capita debt of the people of Ontario is?

Mr Howell: I can get that information. I don't have it here. We can provide that.

Mr Kwinter: The point I'm making is that when you show they're spending as much as they're making, which means they have no money to pay down their debt, it doesn't make any difference what the service cost of the debt is. They don't get further and further into debt, but I think it's a significant number that we should know about, because that really is going to impact on the ability to sustain the economy.

Mr Howell: As I indicated earlier, debt levels are high right now if you're looking at them in an absolute sense. They're higher now than they have been in the past, in dollar terms. Of course, incomes are also much higher, and real incomes, so nominal incomes—because debt's always denominated in nominal terms—are higher, obviously, than the real income as well. Combine that with the ability to finance that debt given much lower interest rates and you have a situation that's demonstrated in another one of the slides in my presentation that shows the ability of consumers to carry that debt load has been improving over the past 10 years. I'll leave it at that.

Mr Kwinter: I take your explanation, but I don't understand. If your indicator is that all the money they get in real disposable income is being spent in real consumption, then there's no money left to service the debt other than going further into debt.

Mr Howell: Part of what people are spending money on is their debt servicing as well. That's a service that consumers consume. It's not all goods.

Mr Kwinter: I'd like to ask another question of Michael Gourley. When you talk about the stranded debt, I notice it's gone up 0.1% for 2002. Do you have an indication as to what it would be right now, when we're 10 months into the fiscal period 2002-03? Is that stranded debt going up or is it going down?

Mr Gourley: That slide is—how should I say?—a bit problematic, in the sense that it rounds numbers. The first 20.0 is actually \$20.034 billion and \$20.016 billion, and then 20.1 is actually \$20.085 billion, so it's rounded up. There's not really a \$100-million difference, although there is a \$60-million or \$70-million difference in the two numbers. At this point in time, it really depends on the outcome of both the results of Ontario Power Generation and Hydro One and a couple of other factors. But those are the two primary factors. I don't know whether it's going to go up. Certainly the projection is that it will go down slightly, but that may be \$15 million; it may be not a substantial amount of money.

Mr Kwinter: My last question: could I get an estimate of what the GDP of Ontario is as part of Canada's GDP?

Dr Christie: We can provide that.

Mr Kwinter: Do you have an approximate—

Dr Christie: We can't provide the exact number, but it's approximately 40% to 42%, or something like that.

Mr Kwinter: OK, could I get that?

Dr Christie: Yes.

The Chair: All those outstanding inquiries will be given, through research, to the ministry. That way, all committee members will have the benefit of the response.

Time is up, even with the overtime. Thank you, gentlemen. We'll recess until 1 pm, at which time we will begin with the expert witnesses. Committee is recessed.

The committee recessed from 1202 to 1303.

The Chair: Ladies and gentlemen, we will resume the committee and come back to order. This afternoon we deal with three expert witnesses. Are there any questions, first of all, from committee members? No.

CANADIAN FEDERATION OF INDEPENDENT BUSINESS

The Chair: We will begin with the delegation from the Canadian Federation of Independent Business, Catherine Swift and Judith Andrew. Welcome, ladies. We'd appreciate it if you would just state your names for the record so Hansard can use them as a trigger.

Ms Catherine Swift: Yes, indeed. I'm Catherine Swift, president of the Canadian Federation of Independent Business. I'm accompanied by my colleague Judith Andrew, who is vice-president for Ontario at the CFIB.

Thank you very much for inviting us here today. I am here in the so-called expert witness capacity. I'll try to live up to that lofty title. Judith will actually be back tomorrow to give a little more issue-specific brief for the committee.

I guess I'd like to generally talk about the economic landscape from the small and medium-sized business perspective, what we see happening over the next year or so. One thing I'll just mention is some of the components of the folders that we've handed out. There is a copy of the PowerPoint presentation that we're going to speak to. As well, on the left-hand side of the kit—we tried to keep these down to a dull roar, but we hoped this would be useful information as municipal issues are taking on a greater import for all of us, it seems, these days.

We included a recent survey we did of local leaders. This was sent to mayors and councillors across the province of Ontario. There is a blank of the survey itself, and there are also a number of charts with the results of this survey. In many instances we have actually compared the views of our members with the results we got back from the local government leaders.

There is also a copy of a report called *The Path to Prosperity*. This is quite a detailed report that we collaborated on with the Royal Bank and the Canadian Manufacturers and Exporters late last year. I'll be just briefly speaking to it, but it's actually quite an interesting report that I would recommend anyone who wants to get

into the whole productivity and innovation area a little more might want to read in their spare time, such as it is.

Finally, we've included a report that we did last year that was submitted to the Romanow commission, and Michael Kirby's Senate committee as well, on the small business perspective on health care issues.

Speaking to the general economic climate, from the outset certainly we have seen yet again very positive results from the small business community. As many of you know, we regularly survey small firms on their expectations for the economy generally. When I was looking over what I said here last year, I was thinking I'm starting to sound like a broken record, because we've continued to get quite an optimistic outlook from our members. I guess what is worth noting is that over the last 18 months in particular, the small-firm community remained much more optimistic—in fact, at times we were asking ourselves if we were crazy, because we were the only ones out there among all the so-called economic gurus and the Bay Street gang and everything who were saying that things weren't all that bad. This is sort of post-September 11, 2001. Now, 18 months or so later, the small business group clearly was very prescient because, as you know, we had a record year for job creation in the Canadian economy last year. Ontario also enjoyed considerable growth in job creation and the economy. This was, of course, while stock markets were doing some pretty ugly things.

I'd just like to briefly flip through some of the slides. First of all, I think you're all aware of it, but it's always worth reiterating the importance of small business in the economy. Over the last roughly three decades, we've seen the small and medium-sized business sector move from about a quarter of the economy to roughly half. Clearly, what goes on in the small business sector now has a greater impact on overall economic trends than it used to. It was always important, but now we find, more so than ever, that small business can actually be a real stabilizing influence when the large corporate sector is going through the kinds of gyrations we've seen over the last little while, and also, of course, from the job creation standpoint.

This goes over almost a decade of StatsCan data on job creation. We see year after year—and it does vary, of course, from year to year—a significant chunk of net new employment consistently coming from small business, even in some years when the large corporate sector is shedding employment at a pretty good clip.

We did an interesting chart; this is a new one we did recently. We've started referring to our sector as the non-stock-market economy, because we have seen the stock market just in dire straits, as we know, for quite a while now. But if you look at these different indices here, we compared the TSX with the index of small business expectations, and we have superimposed also Ontario; the purple is our national number, and we've superimposed the pink there, the Ontario one, on that to show difference from the national. But as you can see, when you compare it to what's going on in the stock market,

you've got pretty divergent behaviour, to put it mildly. As I alluded to earlier, we did indeed see a very good year in our economy generally last year, despite the fact that the large corporate sector was being buffeted about by stock market unpredictability.

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Just by way of interest, too, we did some tracking of our index that we've computed now since the late 1980s. Up until the last 18 months or so, we used to do this index annually. We started doing it quarterly recently because we found economic decision-makers were finding it a very useful additional tool, as well as all of the other more conventional statistical measures. As you can see, our CFIB index has a very good history of reflecting what ended up happening in the economy. So it's been a good predictor, and as a result we're finding it used more and more by everybody from the David Dodges at the Bank of Canada to federal and provincial finance ministers, economists and so on, because it really does add an additional piece to the overall economic statistical world that's useful and isn't really provided by a lot of the other official data sources.

In terms of our outlook for 2003, in the fourth quarter we actually saw an uptick in our overall index of expectations. It was already at a pretty optimistic level and, as I mentioned, in the fourth quarter we actually saw it increase a bit. So that was welcome news, needless to say. Our members are expecting quite a good 2003.

If you can move to the next slide, Judith, we asked how they would compare their performance in terms of the last year and also their expectations for the next three- and 12-month period. As you can see, the vast majority, by far, foresee a stronger year in 2003.

In terms of sectoral expectations, we just break this out, and these data are for Ontario explicitly. As you can see, there are the different sectors there. There is certainly some variation. Most sectors are reasonably optimistic, but there are differences among the sectors with some of the service sectors, education, health. Manufacturing is also reasonably optimistic, which bodes well because there have been a couple of years of lesser, I would say, optimism in that sector over the last little while.

We also broke this down regionally to give you an indication of which parts of the province were more and less optimistic. Again, there are reasonably consistent expectations that things will be either the same or better in 2003 than in 2002, but there are some differences as well, not surprisingly, among different parts of the province.

We also ask our members in this survey what they are planning to do with respect to their wages paid and prices charged. As you can see, there are about a quarter, roughly, or actually closer to about 30%, who are looking at increases over—inflation has bopped up a bit recently, as we know, but the trend line of inflation still is around 2%, 2.5% or so, so they're looking at wage increases, for example, exceeding that, and roughly around the rate of inflation another 30-odd per cent. As you can see, there are really very little decreases seen in the area of

wages—and prices for that matter, but wages are seen to be going up more than their prices.

With respect to the kind of policy priorities that fall out of this for this year that our members are concerned about, they are mostly the usual suspects that are of ongoing concern. There is no question that there is pressure on government spending right now at all levels, as we've seen, but the whole notion of maintaining fiscal balance is always a concern to our members, and I guess a little more acutely now, given the pressure that they know is on the spending side.

The things that have really kept the economy afloat over the last 18 months have been both consumer and small business confidence and the resulting job creation. Going back into deficit positions for governments is not conducive to maintaining confidence levels in either group, as we've found out in the past.

Certainly we always look at where spending can be reallocated, given that obviously health care is going to be attracting quite a bit more spending in the near future, but our members still believe there are areas where government spending can be reallocated.

We continue to be, I guess, surprised at policies that increase costs at all levels of government, and something that our members find particularly problematic are things such as union-only procurement practices, just for example, in the public sector. We just find these are inexplicable practices that should be eliminated, or really governments are not doing what they can to contain their costs.

The whole area of debt repayment: when we actually ask our members what they would do with any given surplus dollars of government revenue, their number one choice continues to be debt repayment.

Then there's the issue of municipalities, which I want to get to a little bit later.

The next chart speaks to various municipal finance measures. This was a survey we did about mid-last-year. Given the pressure on the financing side at the municipal government level, you can see that this whole notion, which some municipalities are pushing for, of some kind of additional taxing powers, whether it be a sales tax or an income tax or whatever, not surprisingly is not popular among our members, but they certainly do recognize that there is some scope for redistribution of existing tax revenues. Of course, the fuel tax area has been one that some other provinces have successfully used to allocate a certain portion to the municipal level of government. Clearly our members were quite supportive of that approach under the existing tax pie, as it were. Not surprisingly, the notion of any area of new fuel taxes was not well received by the small business community. You can see there some of the other areas that were supported by our Ontario members with respect to reallocation of property taxes on business, which has been a bugbear for some time.

Moving to the next slide, these are our Ontario members' priorities. Some of them are similar to our members elsewhere in the country. For example, total tax burden is

number one right across the country. But the cost of local government is especially high here in Ontario, so that is something we've seen as different elsewhere in the country. As a result, we've put a fair bit of focus on the whole property tax area and rejigging that so that the small and medium-size firms are not anywhere near as hard hit as they are under the current system. Most of the other priorities there are pretty similar. Availability of financing has come up recently, and I want to speak to that more a little bit later.

Within the tax envelope, other than property taxes, which remain a leading concern, our members have always found that a medium-term approach to tax planning permits them to have some confidence about what's going to be happening in the future so that they are not faced with some different plan from year to year. We've recommended to all levels of government as a result that the more one can stick to things like three- to four- to five-year plans, at least that provides a climate of certainty for firms that want to invest or create new employment or whatever, so they know what's going to be hitting them not just this year but in the more medium term.

Payroll taxes are always a priority for our members. The small business sector is more labour-intensive than larger firms. Also, for large businesses, given that it seems they're often laying people off these days—naturally the payroll tax component is not as important to a business that's laying people off as it is to a business that is growing their complement of employees.

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Here in Ontario, WSIB is an ongoing issue. We have felt the Ontario government has played a useful role in keeping pressure on the federal government in the EI and the CPP area. Of course, this is supposedly the last year CPP is supposed to increase, according to current federal government plans, so we're hoping to see some stability and, in fact, overall reduction in the federal payroll tax area, combined EI and CPP, over the next number of years.

Of course, in the whole area of tax administration, we've done an awful lot of work, notably recently with the retail sales tax people, but elsewhere as well. Retail sales tax has been particularly problematic and confusing for our members. There has been some useful work done there, but more needs to be done.

The study I mentioned earlier that we collaborated on with the Royal Bank and the manufacturers' association, the so-called Path to Prosperity that we've included in the kit—this is just one chart out of it. It is a fairly in-depth study. We actually used a public opinion firm to poll small business owners in Canada and the US so we could do a comparison as to their orientation as business owners. How much did they want to grow their business, how risk-averse or receptive to risk were they and so on, and what did they feel were the barriers to growing their business? What we were trying to look at was why we don't have more small firms in Canada evolving more into the medium-sized business category. This has been kind of a conundrum for quite a period of time.

This is just one chart, and I would recommend anyone interested in this area to have a look at the whole study because it really was quite an interesting study. A lot of stuff didn't shock us, but there were some findings that we found kind of interesting. This chart exemplifies one of them, where you actually see Canadians feeling that they were certainly very interested in growth relative to their US counterparts. Other elements of the study showed that Canadians were certainly as entrepreneurial—perhaps a little bit more risk-averse, and that's not that shocking, I guess, but not that much. But notable was the difference in terms of the barriers to their growth that were external to the firm. The Canadian group felt that more acutely than the US. Of course, there were a range of different barriers, but one of the ones that came out pretty clearly was financing, relative to their US counterparts. So that was kind of an interesting finding. We have certainly seen, over the last little while, an increase in the concern of our members just over access-to-financing issues. So we're very much hoping we're not going to be seeing another credit crunch like we had in the early 1990s, which was very destructive.

There are always issues, but we've actually had a few years of fair stability, I would say, in the small business financing area, but we're seeing that concern jump. Ontario is particularly vulnerable, and maybe the next chart sort of shows it. This is a tracking that we do, and this is obviously over almost 20 years now, back to 1984. We're seeing a record high level of concern nationally. That last thin bar on the right-hand side is Ontario. This happens to be data from the third quarter of last year. So we've definitely seen a pretty significant increase in concern over financing issues.

We believe this is for a number of different reasons. There's no question that the banks' exposure in some of the telecom and high-tech areas caused them to retrench, but where they're retrenching, naturally, is in areas like small business, where the risks are not as pronounced. But we've seen over the years many, many times how some sector that the banks have put a fair bit of attention on comes back to bite them when it turns down and they tend to have to cut back, or they believe they have to cut back, on their more regular customers, who didn't cause the problem in the first place. So I just flag it out there as an issue.

Of course, mergers are back. In fact, I'm in Ottawa tomorrow with the federal finance committee talking about bank mergers, because we're seeing mergers resurfacing. In the view of small business, we don't currently have sufficient competition. Last time mergers were contemplated federally was back in 1998, and since then, we've actually had a subsequent merger of TD and Canada Trust that, if anything, has made the market less competitive. So if there was no public interest case to have mergers approved in 1998, we think there's even less of one today before we see some competition injected into the market. So that's something that's certainly of concern to our members in a big way.

Just to show you what's happened, too, with some of the major financial institutions, this compares some data from 1989 to 2002. Certainly, in the case of the Royal Bank and the CIBC in particular, we see a huge change in market share. This kind of change in market share doesn't happen by chance. If it's a couple of percentage points or so, fine, but the kind of market share reductions that we've seen in these two leading institutions in Canada is not by accident. They have a deliberate strategy to unload a lot of their small business portfolio, and often it's concentrated in certain sectors or certain regions. We view that as alarming because of the lack of competitors. When a couple of big players make a conscious decision to withdraw from the small business marketplace, it causes major issues.

Just to briefly comment—and there's a lot more detail, of course, in our study—on health care, basically we did a pretty comprehensive survey on the issue which was very well received by our members. Maybe one would think it's not a traditional business issue, but we simply felt too much government money was wound up here to not go to our members and at least ask their point of view. We got almost 15,000 responses to it, which was a very positive feedback. We asked a range of questions. One was on general satisfaction with the system overall. As you can see here, Ontario more or less ranks third in the country with respect to satisfaction levels. That was kind of interesting. It may be higher than a lot of people might think. But a lot of this actually does track a lot of the public opinion data you might be aware of. Although there are issues in the system, most people still actually have a relatively high level of satisfaction. Public opinion polls have shown very much the same thing, as you're probably aware.

When we asked about financing options, there clearly is a preference, not surprisingly, toward reallocation of existing areas of government spending. There is still a fair bit of support for the whole area of user fees among our members. We've sort of polled our members on that over the years, and there still is about two thirds that either support or strongly support having some type of user fees. As you can see, the whole notion of dedicated funds, as opposed to just more monies coming out of the general income tax or payroll tax pot, is preferable to the small business members.

When we asked them what options they would prefer to improve the system overall—again, I suspect that most Canadians would fall into these categories as well. Naturally, improved efficiency—just throwing money at the system is not sufficient, but I think everyone would agree with that—as well as preventive measures. But there was also clearly an appetite for a greater role for the private sector in health care generally. I guess one of the big fictions is that we don't have private sector participation in health care now. Of course we do, and have for many, many years in Canada. But when we asked how privately provided health care should be financed, the majority felt some partial public payments—so partial public payment and partial private payment. Only 12%

favoured the option of full public payment. So the majority felt that private sector participation, with a portion of that being covered by the public system, was the preferable option.

This is an argument that's often bandied about. Usually, you hear it with respect to large firms. We asked if our health care system currently provides the business with a competitive advantage. As you can see, we actually got quite a proportion who said no. So we've often felt that the publicly funded health care system certainly does, in notable cases—the auto industry is a classic example that's often held out there, because basically all taxpayers are paying for the system, not just the employer. That clearly does provide an advantage to some large firms. But it's a lot cloudier in the small business perspective, and even those who are active in the US market did not feel that it was the kind of competitive advantage that a lot of people seem to think it is.

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I just want to speak really briefly as well about another large issue for our entire membership, which is the whole problem with labour shortages. This is in all areas; it's not by any means just in any one sector or region. It does vary somewhat, but we are finding it cuts right across all regions of the economy and all sectors as well. Of course, our challenge is that different governments really have to start getting their act together to be able to effectively deal with that, since we have training issues, obviously, at stake, education issues and ones that push into more than one area of jurisdiction. There is certainly variation with the unemployment rate, where the shortage of labour moves in an opposite direction, inversely, to the unemployment rate, but we're also finding labour shortages are persistent even in regions and sectors with relatively high unemployment numbers.

Getting into the whole education area, we actually have some interesting results on our members' satisfaction with education institutions. This is quite positive, really. Pretty much across the board—we compared some data from 1997 to 2002, and the satisfaction levels with all components of the education system increased somewhat over that period. I think that could be seen to be a pretty positive trend in terms of how small firms are perceiving the extent to which the education system is at least meeting some of their needs.

Finally, a leading issue that we're continuing to hear about is the whole area of input costs. Naturally, input costs can cover a wide range of things, but one of the key ones here in Ontario that has arisen recently is electricity pricing, which has hit small firms hard. I know there's currently contemplation of whether that ceiling for the lower capped electricity rate should be changed. We're actively suggesting that it does need to be increased to truly include the small business sector. The whole area of fuel prices: naturally, with some of the international instability right now, the uncertainty there is pretty well established and perhaps unavoidable to some extent, or certainly not within our control here in Canada, but the

tax area is within government control and could be acted upon.

Insurance costs deserve mention. We saw, on average, insurance costs increase about 30% last year for our average member, which is huge, and in some instances doubling, tripling and quadrupling. But the average was about a 30% increase, and what we're hearing generally is that another year of similar increases is what's in store for 2003. The other alarming thing is that some businesses can't get insurance at all, at any price. So there are clearly some very serious problems here that aren't only factoring in on the price side, but businesses becoming uninsurable for a whole range of different reasons. September 11 events definitely started some of these issues, but there's more to it than that. I just raise that as an area of concern to keep an eye on and something that, if we start hearing talk about mergers with banks and insurance companies—which we have heard some talk about—might want to be taken into account.

Overall, we have seen some increases in inflation, but I think, barring the energy sector, which is being subjected to some fairly major fluctuation right now, interest rate levels look like they're going to remain manageable as well for the foreseeable future.

Just to briefly summarize: maintaining fiscal stability and maintaining their confidence levels is a huge issue for small business.

Debt paydown remains a priority, and continuing on the tax reduction agenda that has already been announced and, ideally, injecting certainty into that debate as well.

Overall, a good economic outlook should mean less pressure on the social spending side since employment rates are very much viewed to stay quite high. Job creation among our members continues to look quite positive for the next year or so, so that relieves pressure on the social system.

The potential of a credit crunch in the next little while is out there and bears watching.

In the area of municipal government, a possible realignment or at least some changes in the allocation of tax revenues is another looming issue of importance.

The area of health care spending, which will get a lot of focus in the upcoming federal budget as well as in provincial budgets, naturally, must be accompanied by measures to improve efficiency and accountability in that system.

Finally, factoring the small business impacts into any area of public policy formulation: we always feel that's important, but when we're now talking about half the economy, I would think everyone should agree that should be thought of before major changes are made in areas of policy affecting the business sector, and small business in particular.

I'd be happy to try to answer any questions you have.

The Chair: That leaves us with about 21 minutes, seven minutes per caucus, beginning with the government. Mr Arnott is first.

Mr Arnott: Thank you very much for your presentation. I appreciate your advice. I have a couple of really

quick questions, if I have time for two. One is concerning debt retirement or debt repayment. In 1997, I brought forward a private member's resolution in which I called upon the provincial government to commit itself to a long-term debt repayment plan over a 25-year period. I continued to raise that issue in 1999 in our Blueprint, our election document or platform. The government committed to paying down \$2 billion of debt over this term of office. In fact, I think we've paid down about \$4.5 billion, which is a lot of money, but when you look at a debt of about \$110 billion, we have a lot of work to do.

You mentioned that in your surveying with your membership, you're consistently getting back a result that debt repayment should be a very high priority. Yet on page 7—I'm not sure what the slide number is—under "SME Ontario Priorities for Action," it appears that the total tax burden is a more serious, immediate problem for your members than government debt/deficit. So there's a bit of an inconsistency there. Could you explain that or attempt to explain it?

Ms Swift: Yes, I certainly can. Out of interest, back in the early to mid-1990s the debt area was number one right across the board for our members across the country, actually. Again, that was when we saw the most acute sort of debt crisis facing us. In the survey I was referring to, where it was prioritized as the number one issue, we asked, "How should any surplus dollars be spent?" It was actually just under 50% who said, "Debt reduction." About another 40% said, "Tax reduction." So that was the ranking if you were looking at every surplus dollar. This particular chart is a general poll, where we just asked a whole range of different issues, and the members prioritized them. So they're slightly different. They still give you a pecking order, but they're a slightly different way of getting at the issue, which is why you get a slightly different result.

Mr Arnott: In fact, when I've surveyed my constituents, it seems that people overwhelmingly prefer greater steps toward debt retirement as opposed to greater efforts toward tax reductions. As much as they appreciate tax cuts, they want to see long-term, consistent fiscal discipline to pay down the debt so that we'll leave our children and grandchildren a stronger financial and fiscal position in the province.

Ms Swift: It's also a short-term versus long-term kind of orientation in a way. If, say, your tax environment is totally uncompetitive, so you're really hammering your economy today, then that inhibits—it's a balancing act, as we all know, with these things. I guess the concern is that a lot of governments these days seem to feel they've already done what needs to be done on the debt retirement side, and even the tax reduction side. I've heard, certainly, some federal politicians say, "Oh, we've done the tax thing."

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If the US goes through with the recently announced changes that Bush mentioned a couple of weeks ago—we don't know what's eventually going to actually be implemented, but that's going to put the pressure, unfortun-

ately, on Canada again to look at restructuring elements of the tax system.

The other thing with respect to debt, of course, is—we don't anticipate this happening, but say interest rates shoot up—we're going to have a great big debt problem again. Right now, the fact that interest rates are so low is giving us maybe a false sense of security. It's great to see progress on the debt, but this is where I think Canadians—small business and others—are rightly worried that if we have another interest rate spike of some kind, suddenly that debt is going to start eating up more and more and more. We're still allocating far too much money to debt repayment. As we know, we could all find much better uses for that money.

Mr Beaubien: Thank you very much for your presentation. Just one quick question, because I want to leave time for my colleague Mr O'Toole. On page 5, with regard to the regional outlook for the year 2003, you show Windsor at 74% and yet southwestern is almost at the bottom at 48%. Windsor is part of southwestern Ontario. Why the discrepancy?

Ms Swift: We excluded Windsor, though, as you can see. We excluded the major cities that were singled out from that. That would explain, from a methodological standpoint, the differences.

Mr Beaubien: Probably because of the auto industry.

Ms Swift: Yes, exactly.

Mr Beaubien: OK, thank you very much.

Mr O'Toole: I always look forward to your presentations because they do kind of bring together all of these various reports that we get from Judith and yourself over time.

Just to reinforce a couple of things you said; then I have a little question. Consumer confidence obviously in our presentation this morning—you might want to avail yourself of a copy—showed as one of the stimuli or the current motive for the health of the Ontario, if not the Canadian, economy, and also business optimism is sort of up in the 2002 fourth quarter as well. Maybe that isn't said directly in your presentation, but I just want your comment on what more can be done. You know we've committed to a multi-year discipline with respect to the tax on small business, and that is, the threshold amount has been doubled to qualify to \$400,000; also, moving it from 9.5% over the longer term to 4%. We recognize that the largest growth in the economy is attributable to small business. Is there more specifically that we can do?

Ms Swift: I think on the tax front those are positive measures that should be followed through. Whenever a government does announce a multi-year policy, it's not a good idea to change it in midstream, in general, just because people do plan on a longer time horizon. Especially once something is announced, I think it's pretty essential to follow through with what is announced.

I would say right now a focus on some of the regulatory burden, even more so than has been done in the past, would be incredibly important as well. I know there are efforts underway with red tape reduction and so on,

but I think there are probably more gains, given that we know that government budgets generally over the next couple of years are likely to be under more pressure than they have been maybe in the past few years—I would think measures to cut back on that regulatory burden—they don't cost government that much; that's the one thing. Tax reductions: those revenues will not be flowing into government coffers. That's not a bad thing from our standpoint, but governments may find more bang for the buck over the next little while to look at measures that are so-called cheaper for government to implement from a revenue-forgone standpoint but that nevertheless will really help productivity and the economy. Because we're still struggling in our economy with productivity performance—

Mr O'Toole: I see that in one of your charts.

Ms Swift: Sorry?

Mr O'Toole: I see that one of your charts shows that those burdens are more of a problem than any other of the three factors you measured.

Ms Swift: Yes. When we did our US-Canadian comparison, that was one that came out in spades. The regulatory load in Canada is very onerous, and a lot of it is collaboration between different levels of government, which we haven't always been that good at in this country.

The Chair: The official opposition. Mr Phillips.

Mr Phillips: Following up a little bit on the comment you just made on the comparison to the US, you mentioned that the overall tax burden is a challenge. The government handouts and charts this morning show that for small business—ie, income \$320,000 a year or less—the combined federal-provincial corporate income tax is around 22%.

Ms Swift: Corporate income tax? Yes.

Mr Phillips: In the US, the weighted average of the neighbouring states is about 36%. So it's quite dramatically lower. You mention here that the tax issues are property tax and payroll tax; I think those are the two. In terms of priorities, recognizing we're now at 22% versus the US at 36%, should our priority be to lower corporate income taxes, or should they be to focus on trying to get property taxes and payroll taxes changed?

Ms Swift: We've always viewed corporate income taxes as the lesser of evils, simply because companies are making money to pay corporate income tax, so obviously any monies going to taxation aren't going back into the business in one way or another. But the more onerous burdens are those that are insensitive to profitability. The firm that's losing money but still has to pay a whopping great increase in their property tax, that could put the business at risk, whereas corporate income tax—sure, it's not a bad thing to reduce them, but it doesn't have the same impact.

We would say that certainly in Ontario property tax is clearly a principal issue right now that we would recommend be the priority, at least for this province.

Mr Phillips: To touch on another subject, I don't think the minimum wage has changed in seven years or so.

Ms Swift: Quite a while, yes.

Mr Phillips: And I think somebody on minimum wage—that's under \$7—is making maybe \$14,000 a year. Do you have any thoughts for us in terms of whether the minimum wage should be adjusted at some stage, recognizing that it has been seven years since it was adjusted? I'm wondering whether at \$14,000 a year you can actually sustain yourself. Do you think we should give any consideration to looking at the minimum wage?

Ms Swift: We've done our survey. I don't think we've done anything really recently, but maybe it bears looking at. In the kinds of labour markets we've got right now, where our members are crying for people, much more so than anything else, I think instead of making a decision to just increase minimum wage for the sake of it, or because it hasn't been done for a few years or something, it would be very interesting to see some studies as to actually who is paying minimum wage. I would suspect it's few and far between—students, perhaps, or whatever. My 16-year-old I think gets slightly more than minimum wage for his part-time job.

I think you would find that an increase in minimum wage wouldn't have much impact because nobody is paying it anyway. They're paying considerably more. This is what we found with some older research but, like I say, it's a bit old now; I'd want to update it. I'd like to see some data as to actually what is going on right now and who is getting paid what before making any kind of recommendation on minimum wage. I think too, with respect to other provinces, we're still up there in the top few of other provinces, the last time I checked, anyway.

Mr Kwinter: Catherine, on page 7 you talk about the small and medium-sized enterprises' views on municipal finance measures. You talk about, "Use existing fuel taxes to pay for local transportation infrastructure (eg roads, transit)." Are your members calling for a dedication of those taxes to those items, or are they just saying generally, "Don't raise taxes somewhere else to pay for that; use what you get from the"—

Ms Swift: Our members generally favour the principle of having the kind of transparency in the tax system so you're raising a certain amount of money with the knowledge that it's supposed to go to, whether it's health care or road infrastructure or whatever. So I would think a partial allocation of some fuel tax revenues directly, to be restricted to those uses, would provide a stream of predictable monies that can then be used by municipal governments for those uses. We haven't asked that specific question, but given how they have felt on similar issues in the past, that's what I would think.

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Mr Kwinter: Another area that you raise is the lack of skilled labour. Have you and your members done anything about the utilization of foreign-trained skilled labour and the underutilization in our workforce?

Ms Swift: Yes, definitely. That's a really big issue. We actually have some pretty good survey data that we're going to be releasing over the next little while—

we're just crunching the numbers right now—where we got into some real detail as to what types of skill sets are being looked for by businesses, because "lack of skilled labour" really simplifies it too much; it's more mismatches. There are geographic factors. Even in not highly skilled areas, people are having trouble finding people to employ. So there's all manner of different things happening here.

But there's no question that the whole notion of the difficulty in bringing in skilled immigrants or, let's say, immigrants with the appropriate skills is a very, very difficult issue. We've heard frequently, naturally, of differences between provinces in terms of accreditation of different kinds of professions and how that fits into the mix. We definitely could do a lot better on immigration policy to permit people who already have credentials to use them more quickly in Canada than we do currently.

The Chair: Thank you. We move to the third party.

Mr Christopherson: Welcome again, Catherine and Judith. It's good to see you once again.

Let me just say at the outset that even though it has only been one day and it's at the federal level, it looks like Jack Layton is having an effect: we have Liberals asking questions about minimum wage. Hope abounds across the land. Anything's possible.

I wanted to follow up on Gerry's question on the labour shortage issue. You mentioned coordination specifically, I believe.

Ms Swift: Different levels of government?

Mr Christopherson: Yes, at the coordination end. You spoke about immigration policies and a number of other issues that are clearly federal responsibilities. There are some that are very clearly provincial, and I think it's easy to see where they would, if they worked together, complement each other.

It seems to me that where the rubber hits the road for small businesses is actually where they interact with municipal governments if they're playing a role, and if they can, what that would be. Because at the end of the day, large corporations—General Motors is looking into their own answers as well as tapping into what they can through government. I know in other segments the large players are out there themselves; they have the resources and the infrastructure in the company to do that. But with small business, somewhere one of the three levels of government has to interact with them. The reason I raise this is that I know there's a major effort going on in Hamilton trying to do that.

I'm wondering what you think the most effective transference of the coordination between the three levels of government and small business should be. Where should it be taking place? Exactly how can that happen?

Ms Swift: Well, I don't think there's one answer; I think there are probably several, simply because I think you're right that there's no doubt there's a greater role for a local government type of interaction.

Something that we as an organization have been trying to promote with school boards—they are arms of government but they're not government per se—as well

as business, particularly sectoral groups, is having a lot more interaction with the education community, with the student community directly to try to identify needs better, educate students as to what the needs are so they can maybe partway through secondary school say, "OK, this is how I'll plan my career, because I'd like to work in this area."

It's very labour intensive to do that kind of thing, but I think you'll find it gets very difficult to have a global solution, because there is no global solution. This is a very micro type of problem that is being faced by all sectors, to varying degrees. Some are definitely finding more problems than others.

But there's very little work being done at the municipal level right now across the board. I think there are exceptions where some municipalities are definitely getting involved in this. It has been more provincial, and even federal in many ways because of the monies that are spent in the EI fund for training. But I know that as an organization we have partnered up with other business groups. The technology these days helps a lot because small firms can go on the Internet and perhaps get information about available resources that they couldn't get before and so on. I think, unfortunately, there is no one easy answer to that, but there's a whole range of different solutions. Municipal can be effective, but so far I would think the provincial level is probably more frequently where that happens, even for small businesses, right now.

Things like the Passport to Prosperity program that we've been involved in—that's a niche sort of area, and school boards are involved in that too. So you have the stakeholders, for lack of a better word, involved, in that case, in helping students get some exposure to the working world, and of course ultimately that often leads to jobs for these people. It's at least another element to their education. So those kinds of programs and apprenticeship programs and all of those types of things that are really within the provincial purview we recommend doing more of.

Mr Christopherson: A different subject: the federal government. Former Finance Minister Paul Martin made a well-received speech at the FCM in Hamilton at a convention in the summer. I was there and I was as ecstatic as anybody to hear the pronouncement of a new deal, if you will, for municipalities. But given the question that Ted Arnott asked and some of the results in here, I just wondered, first, what you think about, and secondly, if you agree there's some merit in that, how you would rank it in terms of importance, the federal government, given that they are running surpluses, actually having a direct relationship with municipalities, particularly in terms of assisting with funding for infrastructure.

Ms Swift: I remember that speech well. We've also had numerous meetings with Paul Martin and asked him about that speech and exactly what he meant, and I think you'll find it was kind of short on detail but long on good-feeling sentiment, shall we say. I don't know

exactly what he meant by his new deal, but from other conversations I've had with him, the notion of any grandiose new revenue-raising capability is not in the cards for municipalities, at least from what he said.

However, our membership realizes there are some pretty key issues at the municipal level, that something's got to give in terms of the different governments, but I can't see it being anything other than a collaboration among the three levels of government. From everything I've heard from them, I don't see the feds changing the current relationship or the current balance between the three levels of government involvement in things like infrastructure spending.

Mr Christopherson: I know one of the criticisms I had in the past was that things weren't focused enough and targeted enough in terms of the money they transferred, similar to the arguments they make about health care. I think that was why there was at least some musing about the possibility of having a direct relationship, if it wasn't possible to work something out with all three, that again made sure the money went where it was supposed to. If you were a small business person anywhere near Herkimer Street in Hamilton, for instance, when we had the major water main burst, there was a day's work, business, jobs lost to everyone involved. That is not efficient, that's not productive and that doesn't serve anybody. The money's got to come from somewhere, and if we all agree that it can't come from increased property taxes, it's got to come from somewhere else. Probably the most obvious one is a relationship with the feds.

The Chair: Thank you, Mr Christopherson.

Mr Christopherson: End of my time?

The Chair: That's the end of your time, sir.

Mr Christopherson: All right. Thanks for your answers.

The Chair: Thank you, ladies. We appreciated your input. Your perspective is always welcomed, I know, by everyone.

1400

BANK OF MONTREAL

The Chair: Our next presenter is the Bank of Montreal Financial Group. We have Mr Egelton, senior vice-president, deputy economist. Would you please take the stand and also formally state your name, if you would, sir, for the purposes of Hansard. Welcome. There will be one hour. Whatever time is left over after your presentation will be used for questions in rotation.

Mr Rick Egelton: Thank you very much. I'm Rick Egelton from the BMO Financial Group. What I've been asked to do or what I will in fact do here this afternoon is briefly take you through our outlook for the North American economy. I'll start off with the United States, go into Canada and then Ontario and say a few things about budget-setting and what I think the priorities should or shouldn't be going forward.

We have a fairly bullish outlook on the economy for North America. I think we've been more bullish than most people. We're particularly bullish on the Canadian economy. We think Canada will outperform the US economy over the next little while. We think Ontario will do reasonably well within that context. I think the best way to proceed is to take you through our outlook for the US. That sets the stage for where we see Canada and Ontario going.

If you flip to the third page, which starts off with the US flag, the US economy, interestingly enough—if you read the media or watch CNBC, you'd think the US economy is mired in perhaps one of the deepest recessions they've ever had. If you look at the chart in terms of GDP growth, in fact they went through an extremely mild recession in 2001 and last year the economy grew about 2.7%. So while the US economy isn't growing gangbusters, it's performing not badly.

What's happening in the US is that there's a tremendous dichotomy between businesses and households. Households are spending significantly. The housing market is the best ever. We just had existing home sales out this morning; 2002 was a record year. It was also a record year for auto sales. So the consumers are spending, and spending fairly significantly. What we are seeing in the US is tremendous retrenchment on the part of businesses. They're cutting back in every conceivable manner. Inventories have been pared to extremely lean levels. They are very reluctant to hire and take on new staff, and capital spending has been cut off massively.

So you have a household sector that's performing actually quite well and a business sector that is extremely weak. Overlaying that, you have a manufacturing sector in the United States that has now suffered 29 consecutive losses in employment on a monthly basis in a row. That has never happened before as far back as the data, and the data go back to 1939. I presume in the 1930s you had a period of that type of weakness in manufacturing. So it's interesting in the US that they have this situation: consumers are spending, businesses aren't and the manufacturing sector has been hit really hard.

However, we're relatively optimistic going forward on the US for a couple of reasons. Number one, if you flip the page, inventory levels right now are extremely lean, and we don't think firms can continue to operate with inventories at these levels. What that means is that going forward, as they rebuild inventories, they will need to increase production at a rate that's faster than their sales in order to put more product on the shelf. Second, interest rates are really low, and that is one of the reasons why housing and auto sales have done so well. It's a reason we think will support business investment going forward. Third, profits have come back—not back to where they were prior to the recession, but the profitability of US businesses has improved.

So you have the need to rebuild inventories, a very low level of interest rates, improved profitability and lastly, to the extent that the President's new budget package is enacted in some way, shape or form similar to

what he has proposed, you're going to get a fair bit of fiscal stimulus in the second half of this year. We think all those things will lead to an economy that grows much more quickly.

If you flip the page, by the second half of this year we see the economy exceeding 4% growth in the US. That's a fairly strong economic performance. We think the characterization of that economy will be different than last year in the sense that what you're going to see going forward is a much better business performance in terms of stronger capital spending, a bigger build in inventories and a somewhat softer environment for housing markets and, what's important to Ontario, auto sales. We don't think auto sales can be sustained at current levels in the United States. In fact, we were looking at the data and there are something like 1.2 licensed vehicles for every licensed driver in the US, which strikes us as a fair number of vehicles on the road. It's hard to imagine you can continue to see people buy more and more cars at that level.

Inflation in the US we think will remain relatively benign. On the interest rate front, we think the Fed will remain on the sidelines, probably through to the summer. The Fed funds rate is now 1.25%, and if you think back to Economics 100, when you have interest rates lower than the rate of inflation, that's a very stimulative interest rate policy. That clearly can't be sustained indefinitely. So we see the Fed starting to raise interest rates this summer, probably raising rates in the neighbourhood of about 175 basis points this year, up to 3%, and another 200 basis points in 2004. The reason for the significantly steep rise in interest rates is that you need to move rates back to some more normal level. With 2.5% inflation, a normal rate of short-term interest rates is probably about 5%, about two and a half percentage points above the rate of inflation.

We think long-term interest rates will rise in the United States as well. They are currently just over 4%. One of the amazing things in the US has been that people have gotten out of equities because they don't like the equity market. As investors around the world have sought safety, they've put their money into the US bond market, because that's the safest instrument they can find. Because of that, that has really depressed yields on long-term government bonds. As the economy improves, as people have more confidence in equity markets, you'll see money flow back out of the bond market into equities. Equities should perform better and long-term interest rates should rise as money flows out of that market.

All in all, we have a fairly bullish outlook for the US based on the economic fundamentals. The big risk, of course, for the US going forward is, first, that businesses remain reluctant to invest, and that will slow down the pace of the recovery, and, second, whatever happens in Iraq and whatever implications that has for world oil prices.

I have a couple of charts here on commodity prices. If you look at the chart "Energy Markets," we have oil

prices in blue, natural gas prices in red. Our guy who does oil prices told me that he could probably give me a credible scenario for world oil prices this year of \$40 a barrel and he could give me another credible scenario for oil prices at \$18, which isn't particularly helpful, but I think what it does do is give you a sense of the risk in terms of the oil market and how important it is in terms of what happens in Iraq: what that does to oil prices, and if there is a conflict, how long does that conflict go on and so forth.

What we've assumed in our forecast is that there is a significant spike in oil prices and then it comes down. So in a sense what we're assuming is a very quick resolution to the difficulties in Iraq, and that will not have a permanent impact on oil prices. Economic fundamentals would suggest oil prices at around \$23 or \$24 a barrel, and that's where we have prices going down in the near term.

For the rest of the non-energy commodity prices, we have them bouncing back fairly significantly in 2003 and 2004, mainly because of the rebound in world economic growth.

From a Canadian perspective, we look at our major trading partner and we see stronger growth this year, starting probably in the spring but more likely in the summer, an environment of rising interest rates and an environment of stronger commodity prices, all of which, by and large, is pretty good for the Canadian economy.

The Canadian economy has performed remarkably well over the last couple of years. We generated over 500,000 jobs in 2002. That was at a time when the United States actually shed jobs. Manufacturing employment in Canada last year grew at almost 6%. It fell, as I said, in the US every month of the year. So we have a much stronger performance in Canada than in the United States.

If you want to think of what industries did well, it's on the next page. We have manufacturing from December of last year to October, which is where we have the data. It was manufacturing, really, that led the way, and the construction industry was quite strong as well, running off the strength in housing starts. That's very different from the US, where you had a manufacturing sector that really struggled. Manufacturing in Canada did remarkably well. We think the primary reason for the strength in manufacturing in Canada and the weakness in manufacturing in the US is the high value of the US dollar and the low value of the Canadian dollar. That was a tremendous boost to manufacturing in Canada during that period of time.

I've had a number of people in the past say that low interest rates didn't seem to be working. If you look at motor vehicle sales in Canada, they were at record high levels last year. So clearly the low interest rates are working. You're seeing incentives as well from the major auto producers, but at the same time those incentives are made possible by low levels of interest rates. If you have zero interest rate financing, it's a lot easier to do when interest rates are low than when they're high.

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Housing markets are extremely strong—the best year of housing starts in over 14 years in Canada. The good thing on the housing market as well is that it's not quite like it was in the late 1980s, where we saw strength in certain municipalities across the country. This is widespread right across the country, and it's being generated by the low levels of interest rates and the tremendous improvements to mortgage affordability. So we think the housing market not only is strong but will remain fairly strong going forward. We've also seen an improvement in the export environment as the US economy has improved.

Going forward for Canada, we see a fairly bullish outlook in 2003, with growth of above 4%, starting in the spring of this year, driven by a number of factors: (1) an improvement in the US economy; (2) an improvement in the profitability of Canadian businesses, which will allow them to invest; and (3) continued decent growth in consumer spending. Don't forget, in the US we actually had declines in employment last year. In Canada we've had a significant increase in employment. With that increase in employment comes an increase in income, fairly significant purchasing power and an increase in consumer spending. So that will lay the framework for what we think will be fairly strong growth this year.

We think inflation in Canada will remain under control. We've had a number of factors. There has been a lot of talk lately about inflation being driven up. Core inflation is 2.7%. If you net out the impact of higher auto insurance premiums on inflation, it's 1.7%. So really it's not, in our judgment, a situation where you have widespread cost pressures but rather you have a couple of special factors really driving up inflation rates.

We think the Bank of Canada will resume tightening, probably in April of this year. The governor was speaking last week, and it's clear from his remarks that they're fairly eager to start raising interest rates again. They're worried the Canadian economy is perhaps operating closer to its full capacity. They're worried that may translate into sustained increases in inflation. Clearly the Bank of Canada will start raising interest rates later this year, and raise them fairly significantly. The Bank of Canada overnight rate now is 2.75%, and we see it topping out at 5% some time next year.

Bond yields will rise, as will US government bond yields.

Finishing up on Canada, I just want to say something about the Canadian dollar. This is something where I think most Canadian forecasters have not really cloaked themselves in glory over the last number of years—we would be one of them—and who continue to view the Canadian dollar as being undervalued and continue to be wrong in our forecast. We're seeing now significant strength in the Canadian dollar and significant weakness in the US dollar, and we think that will continue.

The reason we think the Canadian dollar is undervalued is that if you look at the chart here on the current account balance—Canada in the red and the United

States in the blue—the current account measures the balance of trade between a country and the rest of the world. Anything below the zero line means you're importing more than you're exporting, and above the zero line means you're exporting more. The US now is running a record current account deficit of 5% of GDP. Like an individual, when you spend more than you earn, you have to borrow money. That means there is about \$450 billion worth of capital coming into the US to finance that deficit. Canada now is running very high current account surpluses, which are very unusual. The reason for this is not that we're more productive than the United States—in fact, quite the contrary; I think the US has a more productive economy than Canada—or that we're smarter; the reason is that our currency is low, which makes it easy for us to export. Their currency is highly valued, which makes it very difficult.

If you flip the page, you see the net international indebtedness of the two economies, the US in the blue and Canada in the red. Canada throughout its history has had a net international indebtedness of about 30% to 40%. The US typically, since basically the end of the Civil War, has been a net creditor country. The US now is a net debtor to a greater extent than Canada, as a share of the size of their economy. That has never happened in our countries' histories before. If the US continues to run a big current account deficit, their net indebtedness will continue to increase, meaning that blue line will continue to go down like this. And if Canada continues to run current account surpluses—that means we're accumulating foreign assets—our line will continue to go up like this. We don't think that's a sustainable situation and we think the currencies will adjust. We have the Canadian dollar rising at the end of 2004 to just over US70 cents.

The risk to that over the next couple of years is probably that the Canadian dollar could be even stronger than that. The risk in the very near term, if there is a war with Iraq, I think could be some weakness in the Canadian dollar as investors look for safety. When investors want safety, they tend to move out of peripheral currencies like the Canadian dollar and move into more liquid currencies. But we're fairly bullish on the Canadian dollar going forward and really, by extension, fairly bearish on the value of the US dollar going forward—a pretty benign outlook for Canada based on strong US economic performance, good fundamentals for Canada.

Fiscally—I didn't put any charts in here—as a federal government we're the only G7 country running a budgetary surplus. We'll probably run a surplus this year of around \$7 billion to \$10 billion, not counting what measures will be coming out in the February budget. The United States will probably run a budgetary deficit this year of about \$250 billion to \$270 billion. So we're clearly moving in opposite directions on that front. Canada fiscally, at least at the federal level, is performing quite well.

Moving to Ontario, we think the Ontario economy will continue to perform relatively well. Ontario has really been one of the growth leaders in terms of the Canadian

economy over the last number of years, along with Alberta and Newfoundland, the latter two driven mainly by higher oil prices. In 2003, we think Ontario's economy will improve, but it will somewhat underperform the national average, mainly because of what we think will be a reduction in auto sales in the US, and that will have a slightly negative impact on the Canadian auto industry—but really a pretty strong performance; in 2004, Ontario once again growing slightly faster than the national average, and fairly steady gains in employment for Ontario. Representing 40% of the Canadian economy, the two economies, by and large, are going to move together.

In terms of the fiscal situation in Ontario, I want to just say a few things in terms of the priorities and that type of thing going forward. The way we tend to look at the fiscal situation, the way investors tend to look at it, is the fiscal situation of the country as a whole, the federal government and the provinces combined. When you look at it that way, Canada has now been upgraded to a AAA-rated country. Its debt burden as a share of GDP is roughly in line with Germany and France, other AAA-rated countries. We have a higher debt burden than the United States and the UK and a significantly lower debt burden than Italy and Japan, who are no longer AAA-rated countries. We're kind of in the middle of the good pack in terms of debt burdens, but we have a way to go in terms of reducing it.

If we look at Ontario and put it in the Canadian context, what you can see is that Ontario is AA-rated and its debt levels are roughly in line with those of Manitoba, Saskatchewan and BC and significantly higher than Alberta's. What I would suggest is that in terms of debt burdens in Ontario going forward, one of the goals should be to continue to reduce that debt burden as a share of GDP. I don't think it's in a situation right now where you have a fiscal crisis, as we did earlier this decade, both provincially and nationally, but you are in a range where I think it would be prudent to reduce it further. We see, going forward, a status quo situation on the fiscal side in terms of the budgetary balance, the fiscal position remaining largely in balance, ie, either a small surplus, a small deficit going forward under the current policies of the government.

On the tax side—and I just stepped in here at the end of your previous speaker talking about potential tax cuts coming from the US. In terms of tax-competitiveness, the things that we think are important, especially for a province like Ontario, one is how competitive you are internationally—and “internationally” means the United States—and how competitive you are within Canada, and “within Canada” really means that Quebec, Alberta and British Columbia are the key provinces that we think you need to be competitive with.

Clearly, on the personal tax side Canada is extremely uncompetitive with the United States. If you look at the lowest-taxed jurisdiction in Canada, which is Alberta, it is not competitive on the personal tax side with the high-tax jurisdictions of the United States, which would be

California and New York. So even our best province has a higher tax burden on the personal side than the worst state.

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On the personal tax side, I think Ontario is very competitive within Canada at low income levels. In fact, at income levels of \$50,000 and lower you will see Ontario ranking, along with Alberta, as the lowest-taxed jurisdiction in the country. As you move up the income levels, Ontario's tax-competitiveness starts to erode because the tax system in Ontario is far more progressive than it is in most other jurisdictions. Going forward, as labour and capital—as labour particularly becomes more mobile, particularly within the country, I think it's important to keep that competitiveness in line.

The one area where Canada is very competitive with the US is on the corporate tax side. We think general corporate tax rates for large corporations are competitive with the United States. In fact, when the federal government is finished with its corporate tax reductions, average corporate tax rates in Canada will be lower than in most states in the United States. In this regard, we think Ontario is in fairly good shape. The only province with a lower general corporate tax rate than Ontario is Quebec, and if Ontario continues to follow through with the proposed reductions in the corporate tax rate, we think that will have a significant impact going forward.

We think really the best thing governments can do to provide prosperity and a strong economy going forward is to lay out a framework so that businesses feel confident about investing, that the jurisdiction is the place where they want to make significant investments. In order to do that, we think you need regulations that are reasonable and well understood, and we think you need a tax environment that allows businesses to take risks and that is competitive internationally and within the country. We think that on the corporate tax side that has largely been achieved and will be reinforced if the general corporate tax reductions follow through.

On the personal tax side, obviously, we think there is more that needs to be done in terms of, first, following through the personal tax cuts that have been previously announced and, second, even going beyond that over the long term, but at the same time keeping in balance with reductions in the debt levels as a share of GDP going forward.

Over the late 1990s, we were basically telling the federal government in our representations the same type of story I'm suggesting here this morning. We had always put much more emphasis on getting debt burdens down than we have on taxes. If you have to choose between the two, in the near term I think debt burdens are extremely important to get down, because if you don't get them down, over the long term high debt levels are high taxes. There's no way of getting around that. And in the near term, low debt levels provide you with a tremendous amount of flexibility. In fact, if you look at the United States, one of the reasons they have been able to implement fairly significant tax cuts over the last couple

of years in order to help the economy along is because their debt levels were so low. That enabled them to do that. We don't really have that luxury of running a significant deficit like the United States, simply because our debt burdens are that much higher.

But all in all, going forward, we think the economy for Ontario and Canada is quite robust, quite strong. We think the outlook is very robust. The main risks to the outlook for Canada I think lie outside our borders, with what may or may not happen in the Middle East, in Iraq, and the impact that may have on oil prices and on the evolution of the US economy. But we as a country and as a province have continued to outperform the US over the last couple of years. We think that will continue going forward.

Back in the early 1990s, I was with the federal Department of Finance in Ottawa, and one of my jobs back then after a federal budget was going to New York and trying to convince investors that it was a wonderful budget and they should go long on Canadian assets. It was at a time when we were running a \$45-billion deficit, when we had high rates of inflation, and we were dramatically underperforming the US. I had one person tell me at the end of the meeting, "Do you know what? Your story is reasonably good, but my boss told me if I lose another nickel on Canada, he's going to fire me." There was a tremendous amount of negativity toward Canada. That has really changed.

We're the only G7 country running a budgetary surplus. We have fairly strong growth; we've been outperforming the United States over the last number of years; we're running trade surpluses. The situation in Ontario is much stronger; we have a much stronger economy in Ontario. Alberta is doing quite well. We've seen a significant improvement in the investment climate in British Columbia. So as a country, I think things are looking much, much better than they were a decade ago. In fact, just based on economic fundamentals, I would say they're looking stronger than they are in the United States. If you were to extend this thing out and look at it over the next 10 years, we think the prospects are that the economy will perform better over the next 10 years than perhaps any decade we've had since the 1960s.

So we think things are looking good. There are a number of speed bumps on the road, and they mainly emanate out of the United States. And there are things we can do wrong. We've spent a lot of time putting our fiscal houses in order, not only federally but provincially and right across the country, and you can certainly blow that. But I now sense, at least among the Canadian public, a strong desire to avoid running budgetary deficits again, and I think that's a very good thing. As long as we continue to run balanced budgets or small surpluses, our debt burden both provincially and federally will continue to fall.

The Chair: That leaves us just about 10 minutes for each caucus. We'll begin with the Liberals, the official opposition.

Mr Kwinter: Thank you very much, Mr Egelton. There's no question that you're a lot more bullish than some of your counterparts. I have an analysis done by six different economists, and every one of them is not quite as bullish as you are, which is fine.

I have a question. I recently attended the Council of State Governments in the United States, down in Richmond. Literally, to a state, they were all crying doom and gloom and complaining that they have to run balanced budgets. They claim that they're not going to be able to unless they do one of two things: raise taxes or sell assets. One of the things you talked about is that the bumps in the road could be what's happening in the US economy. I want to ask you about your statement regarding the fact that businesses are negative in the United States about what's happening. Manufacturing inventories are at their lowest levels, yet consumer spending is high. It would seem to me, particularly when you take a look at the graphs which show exports are down and imports are high, that aside from the building industry, the housing industry, which is very, very buoyant and at record levels in the United States, a lot of the economic activity is in imports, and that is really what has affected the balance of payments in the United States.

This morning we had the people from the Ministry of Finance showing that exports from Ontario are down and that the economy, again, as it is in the United States, is consumer-driven. They're buying things, but our export business is down, which indicates to me that when you consider that the United States is our biggest customer, we're not selling as much to the United States, but other people are. How do you think that's going to impact us in the long term, if we have a situation where our biggest export market, it seems to me, is being filled by other than Canadian products we've normally been selling them? Do you have any thoughts on that?

Mr Egelton: Yes, a couple of things. One of the things we have to bear in mind over the last number of years—people here are fixated on the value of the Canadian dollar against the US dollar. But what has happened is the Canadian dollar has actually performed pretty well against virtually every other currency. So while we have become more competitive against the US because our currency has fallen with respect to their currency, other currencies actually declined even more than the Canadian dollar against the US currency. For example, the euro—if you remember, it came into being at \$1.19 and fell to 87 cents against the US dollar. That gave them a tremendously competitive edge. So we have lost competitiveness, to some extent, against third countries.

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But by and large, I think we have really held our own in terms of how we're performing in the US and how we're performing against other countries. We've seen exports from Canada to the United States weaken off late in 2002 and that was because the US economy in late 2002 weakened off, but really what we've seen from, I would say, the mid-1990s right through to the end of

much of last year is the Canadian exporter taking market share in the US. If you think about it, we've now gone through a three-year period where we've outperformed the US, we had fairly strong economic growth last year in Canada despite the fact that commodity prices outside of energy were depressed and despite the fact that our strongest trading partner was growing fairly slowly, yet we continued to perform pretty well. Now, part of that was because they sold a record number of automobiles, and automobile exports and parts are a big part of the Canadian economy, but I think we have still held our own reasonably well against third countries into the US marketplace.

So going forward, as long as the Canadian dollar stays within reasonable levels, I'm pretty confident that we will continue to perform fairly well going forward and continue to maintain our share of that market.

Mr Kwinter: Could you tell me your views on the automotive sector? We've heard a lot about how there have been no greenfield investments in Ontario for many years, that there seems to be a trend to consolidate and a lot of that is going to the southern United States. Have you done any projections on what that impact is going to be on the Ontario economy?

Mr Egelton: We have not done any projections on what it'll be in the Ontario economy. We've looked at the overall auto sector, and what is clear is that there is worldwide overcapacity in the auto sector. I think what you've been seeing over the last number of years, what we find a little bit bizarre, is that you have a fairly weak economy and you have auto companies struggling and yet they're offering these incentives in order to get sales up to record levels, and that's basically because their fixed costs now, I think, have become fairly significant.

We think going forward that you are clearly going to have to take some of that capacity out of the world. There is excess capacity in the world. You're going to see some consolidation, and some of that capacity is going to have to come out. That I think is one of the reasons why we haven't seen a significant amount of investment in Ontario.

At the same time, Ontario still accounts for a disproportionate amount of auto assembly. If you look at the Canadian share of the North American market for sales, we certainly produce more than our share of production. I think the reason for that is, costs are lower here than they are in the United States. But clearly there is going to have to be some capacity taken out of the auto sector worldwide.

Mr Kwinter: Do you have any views on what impact the hydro situation is going to have on Ontario's economy? The current status as we see it now, with the non-sale of Hydro One, the freezing until 2006—what do you see as the economic impact of that in that time frame?

Mr Egelton: I don't think freezing prices in nominal terms at levels of where they were six years ago is something that will instill confidence in the business community, or anybody else for that matter. So on the one hand, you can say there's some price certainty, and

the prospect of continued lower rates going forward is a good thing, but arguably setting prices—and I'm not an expert on electricity, but I think you'd be hard-pressed to find an economist who would argue that setting prices flat in nominal terms for a number of years is going to encourage new supplies to come on stream, is going to encourage business investment, is going to give people a sense that there'll be enough power going forward to supply the needs of the province. So it doesn't strike me as a situation that's all that sustainable.

Mr Kwinter: What I was really trying to get at is our competitiveness. When I was the Minister of Industry and Trade, one of the top items on my list when I was selling Ontario as a venue for investment was our cheap hydro. You might argue that it's still very cheap because of the freeze, but that only applies basically to consumers. Businesses—that's a free market, and one has got to affect the other. Do you think it's going to have a serious impact on our competitiveness?

Mr Egelton: I think it's one of many, many things that go into our competitiveness. I wouldn't want to underplay it and I wouldn't want to overplay it, but I think it's simply one element in terms of the overall tax structure of the province, the overall growth rates of the province, the overall rates of return that people can get. So do I think this is going to cause people to pull out of Ontario or anything like that? I don't think so, but I think it's certainly something that businesses are probably concerned about going forward.

The Chair: You have about a minute, if you like, Mr Kwinter, or are you finished?

Mr Kwinter: No, that's fine.

Mr Christopherson: Thank you for your presentation. Very interesting. I'll start with auto. You focused a bit on that and talked about the importance of it, and so did previous presenters. You talked about the fact that there's excess capacity worldwide and that's got to give and we're already starting to pay some of the price in Ontario. I know in the last round of negotiations there was an attempt to offset that, but nonetheless we're still losing decent-paying autoworker jobs that help sustain the consumer demand that you and others have pointed out is keeping things going.

Given the fact that they're doing all these sales—because they're trying to keep their overall sales up, and that can't hang on forever—and given the importance here and given how bullish you are on everything, I'm a little confused as to how you're discounting the negative impact of the auto industry on our overall economy to allow you to still remain so bullish.

Mr Egelton: Over the next couple of years we think, for example, auto sales in North America will come down, but they will still remain relatively high. We don't think you're going to see auto sales, for example, in 2003 at 2002 levels. So we think you're going to see a modest retrenchment in terms of auto sales. Auto production, we think, in 2003 will be lower than it was last year. In 2004 it will be slightly lower again, but still at a fairly high level.

Your question is, how is that consistent with an economy that's growing?

Mr Christopherson: Exactly.

Mr Egelton: While it's a very important part of both the Canadian and Ontario economy, overall in terms of GDP, auto parts production is probably only around 2% or 3% of GDP. What we see happening going forward is that other aspects of the economy will improve quite significantly. We see business investment growing quite significantly over the next couple of years; we see exports of other goods rising quite significantly; we see a much stronger resource market going forward in terms of natural resources because of higher prices.

So what we've seen over the last year, for example, was the very low level of interest rates allowing the housing sector and the auto sector to perform exceptionally well and offset some of the weakness we are seeing elsewhere in the economy. As those other areas of the economy pick up in 2003 and 2004, you'll see housing and auto sales kind of come off a little bit.

Mr Christopherson: But in the real economy, in a lot of those trade-offs of new jobs versus existing jobs in the auto industry, the income level and therefore the disposable income and therefore the impact on the overall economy is lessened. So it's not exactly the same to create a new job in a new sector that doesn't pay as much as a lost auto sector job, in the real economy.

Mr Egelton: It depends on the job. If you were replacing auto sector jobs with jobs at fast-food restaurants, obviously you're losing income. But if it's high-tech industries that are performing significantly well, which we think they will increasingly perform better, outside—

Mr Christopherson: Job for job, though?

Mr Egelton: In terms of income?

Mr Christopherson: No, number of jobs for jobs. I would disagree that some of the high-tech jobs are going to pay well. I just find it hard to believe that if you lost a whole whack of autoworkers, you're going to have that many more new decent-paying jobs elsewhere.

Mr Egelton: I don't think we're suggesting that you're going to have this tremendous reduction in the next one to two years in terms of the auto sector. What we're saying is you're going to see auto sales come off a little bit, maybe 4% to 5%, over where they were last year. That's going to translate into less output and less jobs, but we're not looking at a decimation or anything like that of the Ontario auto sector and the number of auto jobs. I think there'll be fewer auto sector jobs over the next couple of years than there were last year in Ontario, but there'll be more high-technology jobs; there'll be more jobs in other sectors. Some of those jobs, as you point out, won't be as high-paying and won't be as good, and some will be. High technology jobs, by and large, are pretty high-paying.

Mr Christopherson: I'm going to try and get in two questions, if I can, so that maybe you can respond to them in your answer, because the Chair watches that clock like a hawk.

Interjection.

Mr Christopherson: Rightly so, Chair.

You pointed to the two sort of twin pillars: the auto industry and housing. Let me now shift to the housing end of it. It seems to a lot of us lay people, having gone through the tech bubble, the stock bubble that we went through, that a whole lot of that same exuberant optimism has now gone over to the housing end of things. I'm curious, number one, how long do you think that can sustain?

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One of the things that identifies a bubble from a natural lift in things is that things get all out of whack. The value of houses—correct me if I'm wrong—I think now is even greater than the last big jump up. We're now hitting levels that have never been hit before. A lot of people, even though their RRSPs have gone down, because they've seen the value of their homes go up, feel that they really aren't as badly off as they otherwise would be if it had stayed the same. What happens if that housing industry drops off—either the war triggers it or something else triggers it? That whole business where there are people out there ready to buy your house—I remember the last time this happened, I was one of those suckers. I was in that thing, so this thing has real meaning to me. I know the motivation of standing there wanting to get that offer in because you're competing with others and you want to make sure you get your chance. If that evaporates, where are we? What's the wealth effect on people in terms of how they see things?

If I can, before you answer that one, I want to link my question, because I'm watching the Chair.

The other one is, everybody keeps talking about inflation, inflation, inflation. Fair enough. I hear all the good arguments for that, and yet what I see is evidence of deflation. Again, reading a number of periodicals, you see where we now have the effect of China in terms of their ability, more and more, to provide manufacturing that we used to provide in North America a lot cheaper. Now they're members of the WTO. By being a member of that, they are into the trade game more, and more and more we're seeing many sectors where the prices are falling because they're able to produce these in China because of the cheaper labour costs and then export them into North America, which undercuts our manufacturers. We've got two things happening at once: we've got falling prices happening, and then arguably we're losing jobs and investment if it's happening over in China.

In addition to that, the sale on autos is actually a lowering of the price because it's coming off the profit margin, so prices are actually going down there. And if I can link that also to the high debt load of people who bought these houses, when I look at your chart and see how high you're predicting interest rates to go—at least on the American fed side, and I would expect the same to happen with the Bank of Canada—people could be caught in one hell of a squeeze.

I don't want to be Mr Gloom and Doom, but does not all of that suggest that things are very precarious at best, and that any of these scenarios that do come through,

which are not stretches, really could trigger some pretty horrible things?

Mr Egelton: We've done a fair bit of work on the housing market. Obviously for us it's pretty important. There is a real fundamental difference between what's happening now and what happened, say, in Toronto in the late 1980s. The fundamental difference is that what happened in the late 1980s was that housing prices got so high that mortgage affordability—for example, mortgage payments as a share of an individual's income—went into the stratosphere. In many instances, people were stretching themselves to buy the house, but they bought it because they felt, "If I don't buy it this year, it's going to go up next year."

Mr Christopherson: Got the T-shirt.

Mr Egelton: What has happened now is that mortgage payments as a share of income are at the lowest level they've been in 15 years. The reason prices are going up is because housing is so affordable because interest rates have come down so much.

Mr Christopherson: But what happens to these people after the interest rates go back up, especially if they're in the auto sector?

Mr Egelton: We did an analysis looking at what would happen if interest rates went up as we have in our forecast, which is 225 basis points, and if housing prices went up another 5% to 10% over the next year. On average, that would be sufficient to raise mortgage payments as a share of income from very low levels to about the average they've been over the last 15 years.

What that means is that would cool off the housing market, so to speak, so you're not going to get 10% or 12% increases in housing prices. They're going to come back down, say, into the 3% to 4% increase range, but it's not going to result in the huge decline in the market that you saw in Toronto. The Toronto market in the late 1980s was the classic bubble, and it was only happening in a couple of markets across the country. What you're seeing now is housing strong in every market across the country, and the reason for that is that it's well supported by low levels of interest rates. Housing is very affordable for Canadians. That's why housing starts are so strong, and a 200- or 250-basis-point increase in interest rates won't result in a huge decline in housing prices; it will simply slow down the rate of increase in prices. If you were to get something like 700 or 800 basis points, that's a different story, but I think that's pretty unlikely.

On the deflation side, in any large economy you're always getting some prices going up, some prices going down. On average, as I said earlier, consumer prices year over year are up about 2.5%. You take out auto insurance and it's still up 1.5%.

The issue of countries like China producing manufactured goods at below what we can produce or what the United States can produce I think has been going on in one form or another for many years, with many different countries. I think what we're seeing is low-productivity, high-labour-content goods. The production of those goods is gradually being shifted from industrialized

countries like the United States and Canada into developing countries, where the costs of labour are much cheaper. That has been happening for a long time and will continue to happen. It's one of the reasons you see the costs of manufactured goods—things like refrigerators, stoves, VCRs, DVD players—remain fairly cheap. I think that will continue.

When you look at overall prices, you're going to have prices increasing. Prices of high-labour-intensive goods are probably declining; prices of service goods, which have a high domestic labour content, will continue to rise in price. We don't think you're near a deflation scenario or anything like that. What we think you're seeing is that for some high-profile goods there's tremendous international competition, and those prices are going to be kept low.

The Chair: Now your time is up.

Mr Christopherson: OK. Thanks very much for your answers.

Mr Beaubien: Thank you very much for your presentation. I have a quick question and it deals with inventories. You mentioned that they're very low, and I think in your projection you say that's good because that means they're going to build them up. The converse of that is that you could take the negative aspect and say, "Well, maybe people are not going to be buying." If you look at what's been driving the economy, it's consumer belief and consumer spending. You mentioned also that in the States they have 1.2 cars for every licensed driver. I think also in the States statistics will show that 40% of consumer spending comes from remortgaging their houses. Especially when we look at the weakness of the Canadian dollar compared to the—granted, there is, especially in the past few months, some indication that the American dollar is getting weaker for a number of reasons. But how do you tie all this up together, with the low inventory, consumer spending basically driving the economy? If we look at the inventory from a negative aspect as opposed to saying, "We're going to replenish it," from your point of view—but if I look at it, there are enough cars, there are enough chesterfields, there are enough fridges. What's your comment? What's your reaction?

Mr Egelton: I'll deal with both the US and Canada because the situations are quite different. In the US, we think this year you're going to see a lot more employment growth. We think one of the things that happened last year was that, because firms were in such a precarious financial position, they were really reluctant to take on new employees. So over the course of the year you actually had employment declines in the United States. This year we think you're going to get employment growth. That'll put money into people's pockets as you have job creation. That will put them in a position to continue to spend.

We think that consumers are not going to lead the economy. You're going to see consumer spending, for example, grow at a rate that's probably slower than the economy in general for precisely the reasons you men-

tioned. Because much of the past financing had been done by people refinancing their mortgages, debt levels in the United States are relatively high. So I think what you're going to see, for example, if income grows at 4%, consumer spending will, say, be up at 3.5% or 3%. So consumer spending in the US is going to trail the overall economy because people will want to rebuild their balance sheets somewhat. Nonetheless, they're still in a position where they're able to spend, but they won't spend as much on autos and housing next year.

In Canada, on the other hand, we've had tremendous growth in jobs; income has been high; consumers' debt levels are not in as bad shape as they are in the United States. Consumers' balance sheets are looking reasonably good. I think the Canadian consumer is in a pretty strong position to be able to spend at a decent pace going forward.

Mr O'Toole: Thank you very much for, I think Mr Kwinter said, a very bullish, optimistic view. Roughly 4% is I think what you said—I hope you're right—based on the fundamentals, the US economy and, since we're a net exporter, all those things.

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I have a detailed question. I just want to comment on a couple of things. I'm very interested in your impressions on the interest rate argument. I understand interest should exceed inflation. As you said, that's economics 101. I just wanted to feel whether it's cost of living—there seems to be some artificial pressure on interest rate increases. We've seen the repercussions of that in the early 1990s, where it got into some trouble and slowed the economy down unnecessarily. I liked David Dodge's remarks last week, I think it was. It was quite interesting to pay attention to that.

What I'm really interested in: I worked for the auto sector for 30 years, and for the last 10 years they say there has been overcapacity. I put to you—and our next presenter, Hugh Mackenzie, is no stranger to that—that actually payroll really hasn't changed in the auto sector; there are just fewer people sharing it. It's called "productivity improvement factors," 3% and 4%. Actually, it's just fewer people on the payroll. I worked in personnel/labour for about 15 years. Where there were 100 people, there are now 25. The payroll hasn't changed, and I would put to you that Buzz Hargrove—he knows it all. He knows that when they get the 4% increase or all of the overtime and the benefits and the days off, at the end of the day there are fewer people sharing it. So I think they're compensating for that by becoming competitive. Certainly it's an argument I expect in the next couple of minutes.

I am interested, though, and my question is this: you talked about the value of the current account deficit. I would have to say I'd have to get the primer on that, because I'm not really trained too thoroughly in this area. You're saying that Canada has a current account surplus and the US has a deficit. Just answer to help me understand it: if the value of our currency increases, what happens to that in relative terms, by just changing the

value of the currency, which is a monetary policy that we have no control over, really?

Mr Egelton: The current account really is simply the difference between what we sell to the world and what we buy from the world. So if we're running a current account surplus of, say, \$20 billion, that means the value of the goods and services we sell to the world is \$20 billion higher than the value of the goods and services we buy from the world. In the US it's the reverse: they're buying more than they're selling, to the tune of over \$400 billion. That's a huge amount. As an individual, if I make \$50,000 a year and spend \$60,000, I have to borrow \$10,000. If I do that year in and year out, I'm borrowing \$10,000, a year and that adds up after years to higher indebtedness.

What happens around the world in most economies when you start running large trade imbalances, it means you're importing a lot more than you're exporting. You end up borrowing internationally. That means people are holding more and more of your assets. That's what is happening in the United States. At some stage people will say, "I have enough US assets in my portfolio. I'm going to sell them," and that brings the currency down. When the currency falls—say, for Canada, we're running a large current account surplus. The value of the Canadian dollar, say, rises very sharply. That makes our exports more expensive. So somebody buying Canadian exports in Ohio will say, "Wait a minute. The price has gone up in American dollars." That's what they're interested in. So the Canadian dollar rises. The price they see in Ohio is a higher price, and they say, "Maybe I'm not going to buy that any more. I'll buy it from the guy down the street." That's what happened in the late 1980s.

Mr O'Toole: You're helping me. I just want to know one thing. For instance, if I'm a net exporter—in fact, I'm growing my economy in export—the people eventually have to get paid in Canadian dollars, so all the money for that product eventually puts pressure on the currency. In fact it really has a tendency to increase the value of the currency by having a surplus, because more people need Canadian dollars to pay the Canadian workers.

Mr Egelton: Right.

Mr O'Toole: So monetary policy has a significant impact almost contrary to what you've explained to me: that if the US is running a deficit, that means people are shedding it. In my view; the dollar itself is being diluted.

Mr Egelton: That would normally mean, if the US is running a big deficit, downward pressure on the value of the US dollar. What's offsetting that, and what has been offsetting that the last couple of years, is that people want to hold US assets. I'm a big investor in Germany and I think, "I want my money in the safest thing I can find. That's US-dollar treasury bills."

Mr O'Toole: It doesn't matter. It's insensitive to the trade issues here, you pointed out.

Mr Egelton: Yes.

Mr O'Toole: I appreciate it. There may be other questions on the other side, Chair. If not—

The Chair: Any other questions?

Mr O'Toole: Actually, I will ask one more question. I want to know your solution with respect to—this is really going back to the interest rate and its implications going forward. Again, it's the federal government. A couple of presenters, including the Canadian Federation of Independent Business, the small business people, suggested the same thing: that, going forward, there probably would be some pressure on the cost of money. How do you see that affecting some of your assumptions here on the 4% growth?

Mr Egelton: Included in our assumptions on 4% growth is the fact that the cost of money is rising. If, for example, we said interest rates in the United States are going to stay at 1.25% and they're going to stay low in Canada, we'd have even stronger growth. I don't think the economy would be able to sustain that. That's what Mr Dodge was really warning about last week: unless we raise the cost of capital to something more reasonable, you are going to have excess demand and inflation pressures in the country.

Mr O'Toole: Yes. It would have a big impact.

Mr Beaubien: Just a small comment, if I may. I would like to thank Mr Egelton for his presentation, because I think he's right. The fundamentals are good.

The Chair: That concludes your time. Thank you, Mr Egelton. We appreciate it.

Mr Egleton: Thank you.

UNITED STEELWORKERS OF AMERICA

The Chair: Our next presenter, from the United Steelworkers of America, Mr Mackenzie, research director. Welcome, Mr Mackenzie. As you probably know, there is one hour. Whatever is left over from your presentation will be divided up amongst the three parties for questions.

Mr Hugh Mackenzie: Yes, I do. Thank you. Let me convey my thanks to the committee for having me back again. I always enjoy this and I look forward to the discussion. I am going to try and keep my remarks as brief as I can because I think there are lots of things we can be talking about.

Just to give you a bit of an overview of what I'm going to say, I'm going to first spend some time talking about my sense of where the government's fiscal balances look right now for the current fiscal year; present a bit of a sense of where I think it's going next year, given my view of where things are at now; and then I want to spend a bit of time talking about what I see as the stresses on the budget balance of the government over the next couple of years.

First of all, looking at this year, we've been getting some mixed signals from the government about what the fiscal balances are. There have been a number of things at play over the last 12 months or so that have an impact on this. When the government released its budget last May, it was projecting a magical zero surplus, zero deficit number. Included in the estimates of that perfect bal-

anced budget was the assumption that sales and rentals this year would hit in excess of \$2.4 billion, about \$2 billion of which was to be the proceeds of the sale of Hydro One. Given the events that have taken place since then, that's one area where one might think there is a bit of concern about what's going to happen to the government's fiscal balances for this year.

In addition to that, we've had a couple of significant moves by the government on the spending side, most notably the government's decision in December to embrace at least the first phase of the Rozanski recommendations on elementary and secondary education funding, which come to the tune this fiscal year of about \$500 million.

If you look just at the numbers that have been presented by the government so far, it would look pretty bleak, because you've got a bare-budget balance, you've got a significant hole being dug on the revenue side with the decision not to sell 50% of Hydro One, and you've got these pressures on the expenditure side.

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In fact, though, we've had a government and a Premier actually sounding quite sanguine about all of these potential stresses. When the government announced its response to Rozanski, the \$500 million for this fiscal year, Premier Eves was, I thought, almost cavalier in his response to concerns about the government's fiscal capacity to do this thing, that there was easily enough in the reserve funds to carry it. And just recently the announcement that Hydro One's privatization was not going to take place, to the tune of about \$2 billion in this year's accounts, kind of rolled by without so much as a whimper about what the fiscal implications of that might be.

On the expenditure side, I think it's worth pointing out that as of the most recent Ontario Finances, which was as of the end of September, the government was still showing about \$1.8 billion in unallocated reserves, so I think I can take the Premier at face value that there probably was enough in the reserve funds at the time to deal with the Rozanski implications. But I think the real question and the real story is, why is there not a more anguished reaction on the budget side to the decision not to sell half of Hydro One, to the tune of \$2 billion? I was curious about that myself.

As I usually do for this presentation, I cranked up the little model that I have of the Ontario budget system, and what I think it reveals, to my satisfaction anyway, as a reasonable explanation as to why there isn't a blind panic over there across the street, is that the budget, as it was released in May, contained significant underestimates of revenue in a couple of key areas: significant underestimates of personal income tax revenue, less significant but still significant underestimates of corporate tax revenue and some modest underestimates of sales tax revenue.

I preface this by saying that the projections that I put together for the re-estimates of revenue for 2002-03 were based on an average of the most recent economic fore-

casts of the five largest chartered banks. Those forecasts were all done, or at least were published, by the chartered banks toward the end of the fourth quarter of 2002, so they're relatively current. You'll see, down at the bottom of the rather ugly-looking chart that appears on page 3, I've got a listing of what those assumptions translate to. I'm basing this analysis on an assumption of inflation at around 2.2% in 2002 and 2003, real growth this year higher than next year, at 3.6% and 3.3%, which as I said is the average of the chartered bank numbers and I think is a little on the low side compared with what some of the non-chartered-bank forecasters have been suggesting Canadian and Ontario economic growth might look like in the current year and next year.

But with those assumptions about economic growth and inflation, I generate significantly higher revenue from personal income tax and corporate income tax than the government's estimates were at the time of the budget, and those higher estimates basically take care of whatever fiscal hole might be created by the government's decision not to sell Hydro One.

Looking forward to next year, I've put together what I would describe as kind of a base case, based on what we know, of the government's fiscal situation. In other words, I've taken into account some of the bigger cost pressures on the expenditure side that we know about, and on the revenue side I've made the assumptions I've described earlier that are detailed on page 3 of these notes. Incidentally, just for completeness, the estimates that I've put together on the revenue side assume that the health transfers from the federal government will increase from last year to this year by the \$275 million that they were originally scheduled, from the September 2000 agreement, to increase. They make no assumption about what the outcome of the ministerial meetings and then the federal budget announcements expected for late February will be. So it's sort of status quo with the built-in escalators on the health revenue side.

I'd also point out that in my base case I assume that the schedule of corporate income tax reductions that the government suspended in the last budget will resume in this next budget. It has relatively little impact on the budgetary situation of the province this year. Because of the way the timing works, the reductions that were suspended were to take effect this past January 1. If the schedule is reintroduced, the likelihood is that they will be scheduled to take effect next January 1, which means they could only affect three months of this fiscal year, one quarter of this fiscal year. So the implications of that are relatively limited this year.

The more interesting action is on the expenditure side. I'll just highlight three of the key assumptions that I've made in putting those numbers together. One is that with respect to elementary and secondary education I'm making the assumption that the government continues to implement fully the recommendations of Rozanski. Unless we want to get into this, I don't want to go into this at great length. I've gone through a fairly detailed analysis of Rozanski's recommendations, including his

proposed phase-in and the new investments and all of the other stuff associated with it, and based on pretty conservative assumptions about the cost drivers that influence Rozanski's recommendation to keep the funding formula benchmarks up to date with inflation, I'm estimating that about \$1.3 billion in new funding will be required in fiscal year 2003-04 in order to continue the process of implementing the Rozanski recommendations. That number is a bit higher than some of the numbers I've seen elsewhere, but those numbers have not taken into account Rozanski's recommendation for annual updating of the benchmarks to keep the benchmarks current. And I'll remind people that the \$1.08 billion plus the \$340 million that the government brought in for salary adjustments only brought the system up to date for 2002-03; they didn't speak to 2003-04. That's the biggest single expenditure pressure that I see in the stuff we already know about.

I'm assuming that the government is eventually forced to increase funding for post-secondary education to take into account the double cohort. Based on the estimates right now that the number of students accepted by Ontario universities will be about 10,000 higher than in a normal year, that translates into a need for about a 4% increase in the budget for post-secondary institutions. I've taken that into account in preparing these projections.

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The third unusual increase that I've taken into account is what's become now the normal expectation that health expenditures will run ahead of the rate of inflation. In this case, for the sake of simplicity and perhaps to anticipate some of the pressures that will come from Romanow, I've projected health expenditures to increase at twice the rate of inflation.

I've made fairly, I guess, expansive but I think realistic assumptions about what is going to happen on the expenditure side if the government does follow through on what appear to be the commitments they've made.

When you shake all of it out, we end up looking at a modest surplus of about \$400 million in 2003-04. This is assuming that the government does follow through on the need for these additional investments in the three areas I've specifically identified and increases its commitments at about the rate of inflation in other areas of the provincial budget.

That surplus would roughly double if the government were to decide to suspend the tax cuts for corporations for another year beyond the year they've already suspended them. As will become clear as I go on here, I believe that's something the government should be doing.

Let me highlight very quickly the key elements of the stresses that I see on the provincial budget. I've already mentioned in the current year the return of the budget line item for sales and rentals back to a more normal figure of about \$400 million a year from the Hydro One-influenced \$2.4 billion that was in the last budget. I've

mentioned the corporate tax cuts. I've stressed that this year the impact is relatively limited. I would be remiss if I didn't point out that this is a bit of a sleeping dog, because the schedule of tax cuts that would be resumed if the government decides not to continue the suspension of those cuts would by mid-decade have a negative impact on provincial revenue of about \$3 billion a year.

I want to stress that one very much gets the feeling in looking at the corporate tax cut program that the only reason we seem to be proceeding with this is because somebody said we were going to. If you look at comparisons across North America of corporate tax rates, we're right in the thick of the race to the bottom in corporate tax rates. One of the things I found very interesting in the public reaction to Bush's plans to reduce taxes in the United States is that there was—I don't know if this is quite the right way of phrasing it. There was quite a bit of silence, I would say, on the corporate tax comparison side because, when you combine state and federal taxes in the United States and provincial and federal taxes in Canada, there really isn't much of a story to be told about any further pressure on Canada to reduce corporate tax rates, and that's even before the federal government gets into the meat of its planned corporate tax cuts. So I think we're in real danger of overachieving ourselves in the corporate tax cut game to the detriment of our capacity to pay for public services that we badly need.

Another point I want to make about revenue-side risks—and I'll say right off the top that for most economists who are looking at this, it's difficult, so I'm not alone—other than making the bland statement that if there's a war in Iraq it will have an economic impact, people are all over the map about whether that economic impact will be positive or negative. As I said, people's woolgathering about what that impact might be is pretty inconclusive. But it is a risk factor that I think one has to take into account in some way, at least in having a bit less certainty about what the growth numbers are going to look like.

I'd feel terribly guilty if I didn't remind people that one of the things which, and this is particularly important when you start to look at some of the pressures that exist on the expenditure side—we have a huge hangover in reduced fiscal capacity left over from the era of rapid tax cuts in Ontario. The current tally in lost fiscal capacity is about \$14 billion a year. Incidentally, \$700 million of that is in the interest costs alone on the money that was borrowed to provide tax cuts when we were running a deficit. It's just a huge hangover on our fiscal capacity.

On the expenditure side, probably the biggest uncertainty is what the implications of Romanow's recommendations are going to be and whatever deal is made coming out of it. To the extent that the additional financing that flows from the implementation of Romanow does not require the province to make any new investments in health, it's obviously going to be a windfall on the revenue side, because there will be increased revenue coming to Ontario, courtesy of the federal budget, with

no obligations to increase spending. To the extent that the implementation of Romanow compensates the provinces dollar for dollar for increased spending, it will have no impact on the overall budgetary balance. As unlikely as that seems when you state it that way, when you've got the combination of the pressure on the federal government to increase its share of health spending and the specific recommendations for new investments that are contained in Romanow, it's at least conceivable that the package of things that comes out of Romanow will end up being budget-neutral. In other words, there will be a mixture of an increase in the federal share of spending, which will displace provincial dollars, and then there'll be some sort of cost-shared improvements that will be mandated by the implementation of Romanow.

In effect, the increased dollars on the cost-shared side will compensate whatever leverage the federal government insists on getting on the expenditure side to produce neutrality. To the extent that the federal government says, "We're only giving you money for new things," and therefore is looking for leverage of provincial dollars, health could have a negative impact on balances going forward. We'll have a much better idea of what that looks like within the next few days, I would think, as these discussions between the federal government and the provinces continue, although given the posturing that's taking place on both sides, I think we'll really only know for sure when we read the federal budget.

I've mentioned the Rozanski recommendations. The analysis I've done indicates that over the four-year period Rozanski covers—that includes last year and the next three years—when you take into account his recommendation that the benchmarks be kept current every year, the implications of Rozanski for elementary and secondary education funding are about \$3.5 billion over that four-year period. I've taken into account the first big tranche of that in the projections that I've done, but I think it's worth emphasizing that implementation of Rozanski will require an investment of another \$800 million in each of the following two fiscal years as well. So it's a really substantial lump of money that we're looking at going into elementary and secondary education if the government does follow through on its commitment to implement Rozanski.

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Ticking off through the major stresses on the expenditure side, there are basically no voices out there disagreeing with the notion that we have a significant problem in the funding of physical infrastructure in this province. I'm part of a working group associated with the Toronto City Summit Alliance, which is that coalition of businesses and community leaders in Toronto that are looking at prescriptions for the greater Toronto area's economic future. The numbers that are coming out of that exercise for the GTA alone are kind of mind-boggling. For example, in transportation they're estimating that the difference between what's currently going into infrastructure funding and what's needed in infrastructure funding in the GTA alone is about \$800 million a year.

Another estimate looking at sewer and water says that for the GTA alone we're looking at \$120 per capita per year for the next several decades to repair and then maintain the sewer and water infrastructure. We're looking at another number in the neighbourhood of \$600 million a year to deal with that stress.

We see every day the evidence of the inadequacy of the response to the issue of affordable housing and homelessness. It's sad to say, but it just seems like every week we get another story that highlights the extremely difficult situation that Ontario's failure to deliver affordable housing has exacerbated. Again, ticking off the list, it's hard to know when the string runs out, but we're now into our eighth year after a 22% cut in social assistance payments in which there has been no increase. At some point you have to think that the fallout from things like the Kimberly Rogers inquest will eventually generate some pressure from the government to move in that area, although there's certainly not any indication of it so far.

Again, on the expenditure side, the government has been quite sanguine about the implications for the provincial budget of the hydro rate freeze. Given the way the auditor has looked at the government's handling of the relationship between the province's finances and Ontario Hydro's finances over the past two or three auditor's reports—I can't predict what the auditor's going to say, but I would think the auditor might have something to say about that particular approach to financing what is clearly a political decision of the government, and might have a view about whose budget that ought to end up in. I don't think it's the least bit far-fetched to suggest that there might be something unhappy for the government coming out of the way the auditor looks at that. Over the past two or three years there have been several multi-hundred-million-dollar items that have been in effect rewritten by the auditor because he didn't like the way things were being accounted for.

Walkerton: I don't think I need to say anything else. There is a significant financial implication of that. While the official position is that municipalities are not responsible for sewer and water services, many of the smaller municipalities in the province just do not have the capacity to finance the infrastructure improvements that are going to be required.

Transit funding is another big issue.

I raise maybe an arcane topic but it's something that, as a resident of the city of Toronto, concerns me. As I think members of the committee know, at the same time as the province brought in current value assessment in Ontario, it also brought in a requirement that commercial and industrial tax rates fall within a certain band and prohibited municipalities from increasing their commercial and industrial tax rates if the ratio of their commercial and industrial tax rates to the residential tax rates was outside that band. The effect of that is that the city of Toronto basically has to finance 100% of the cost pressures for its public services on one third of its tax base, because the other two thirds are effectively covered by the freeze.

The point I'm making here isn't that that was a good idea or a bad idea; it's simply to say that the decision to push commercial and industrial tax rates toward residential tax rates across the province was a provincial tax policy decision but they didn't fund it. That tax policy change was not funded. The cost implications of that change were effectively imposed on municipalities. Toronto is the one that everybody knows about, but other municipalities have been put in the same position. At a time when there is a significant squeeze on all parts of local government budgets, this is a serious problem.

This year I'm spending a lot of time stressing the expenditure-side pressures, for one simple reason. If you look at what has been happening in the area of public services in the province over the last four or five years in particular, what we've seen is that in area after area of public services, when public attention gets focused on it, we discover the negative side, the downside of the cuts that were imposed in the mid- to late 1990s.

The first up to bat, I think it's fair to say, was the health system, where we had the spectre of the government providing subsidies for downsizing of nursing staffs in the two or three years after mid-decade and then providing subsidies to try to attract nurses back into the profession in the last three years.

I would put the education funding system and the implications of the Rozanski report on that in the same category. We had three or four years of quite dramatic cuts in the resources that were available—actually, more like five years of significant cuts in the resources available for elementary and secondary education. If we shed light on it, we discover that there's a huge gap that needs to be filled if we're to fulfill the promise that elementary and secondary education might provide.

The image I have for public service issues in the province, and the reason why I'm placing the emphasis on the expenditure side, is that the image is like walking into a dark room that hasn't really had any light on it for quite a while, and we're walking around the room with a flashlight. No matter where we look in the room, we find an incredible mess that has emerged over the previous few years. What we're finding is that in almost every area of important public services, when the light is shone on it, there are significant issues that need to be dealt with. I think that this government and the next government, whatever political stripe it is, face enormous pressures resulting from the cuts that have taken place in public services in the last part of the decade of the 1990s. With that, thank you.

1530

The Vice-Chair (Mr Ted Arnott): Thank you very much, Mr Mackenzie, for your presentation. We have some time for questions and I'll turn first to the New Democrats.

Mr Christopherson: Thank you, Hugh, for your presentation—always enlightening. It's something you didn't talk about, but I want to take advantage of you being with the Steelworkers and representing Steeltown to ask you what you see, over the short term at least, in

terms of steel as an industry, as an important part of the economy. We've talked a lot about auto; we haven't talked specifically about steel. I'd like to hear what you have to say about that.

Mr Mackenzie: Let me try and divide this into three areas. One is the strength of the economy and the relative strength of the Canadian and American economies; the second is the state of trade issues between Canada and the United States; and then looking specifically at the Canadian industry.

The health of the auto sector is of particular importance to the Canadian steel industry, not only because the auto industry is a significant direct customer of the Canadian steel industry but also because quite a lot of the sales of the Canadian steel industry to steel service centres in fact find their way into the auto sector. Direct sales account for between 25% and 30% of all the steel made in Canada. Directly and indirectly, I suspect it's probably well over a third of the steel that's produced in Canada. That's a significantly greater dependence on the auto sector than the steel industry in the United States has, interestingly enough. The state of the auto industry generally is of significant importance to the steel industry in Canada.

One of the offsetting factors in that general state-of-the-auto-industry question is that the transplant plants—the Toyotas and the Hondas—are beginning to source more parts here the longer they are here. I think Stelco supplies exterior body panels to Honda now, and Dofasco supplies exterior body panel steel to Toyota in Cambridge, whereas 10 years ago, structural changes that benefited the transplants at the expense of the domestic industry would have had a much more negative effect on the steel industry in general and the Canadian industry in particular than is the case now. But it's clearly an issue that's of concern, because all that metal running around in those cars, among other things, helps keep Canadian steelworkers working.

The second issue I wanted to touch on was steel trade issues. Frankly, we have been very fortunate in the Canadian steel industry that the United States took effective and decisive action to deal with its steel trade problem. The reason I say that is because steel as a commodity in North America is largely priced in US dollars. The most important factor influencing the price of steel in Canada, and therefore the returns that steel companies make, is the price in the United States. The United States took action pretty aggressively and, I think as important as the aggressiveness of the action, gave a real signal to importers of steel into the United States that they weren't going to let the industry go completely down the drain. It's had a significant positive effect on prices for steel in the United States and in Canada. You can see the impact in the bottom lines of all of the Canadian steel companies.

I stress the United States both because it's the most important driver of price but also because Canada's response has been pathetic. This is, I guess, both my personal view and the view of the union, so I won't qualify it. It has been pathetic largely because Canada's

trade administration system is not well designed to take into account the extent of the integration between Canada and the United States that has taken place since the Canada-US free trade agreement came into effect in 1989. What I mean by that is that we have a very conventional kind of approach to trade administration. It's based largely on looking at volumes of product that come into the country and looking at fluctuations in volumes of product. It tends not to worry a lot about the underlying pricing structure of the product that comes in and therefore is not able to make a lot of distinction between commodity imports from third countries and regular industrial relationships that exist across the border with the United States.

The result is that when Canadian trade bodies look at steel trade, they look at the huge volumes that come in from the United States, because a huge proportion of our imports of steel come from the United States, and they say either, "There can't be any injury here because most of the steel is coming from the United States and it's fairly traded," or they say, "We're going to impose a penalty, but we'll have to impose a penalty on the United States as well because the United States is such a huge proportion of our trade in steel." Until we're able to reconfigure our trade laws so that we're able to make a distinction between the kind of trading relationship that exists with another economy that is integrated with ours, like the American economy, and trade with third countries, we're going to find ourselves in a position where our trade laws are essentially unenforceable.

So that's a risk, and it's a double-edged risk. On one hand, we're not doing a very good job of defending our own market against unfairly traded steel. To the extent that we're not able to do that, we're flirting with disaster with the Americans, because the Americans are looking at us and they're saying, "We took these actions to defend our market against unfairly traded steel. You got a significant benefit out of that. What are you doing to protect your market from the same pressures from offshore that we took action to deal with?" They have an argument about redirection of imported steel, which I'm not terribly excited about. It's more of a political thing, where the Americans are saying, "We did this. We got everybody mad at us. We've taken these actions that have gotten France and Germany and the EU and Japan all going to the WTO to complain because they don't like what we did, and you guys are just sitting back there getting all the benefit and not doing anything." So they're not terribly happy. That's a risk, because if the Americans get unhappy with us, they'll just say, "Why should we exempt you guys?" and then we're in big trouble, because 30% of our product goes to the United States.

Mr Christopherson: I'll ask another question. I haven't raised this yet and nobody else has, but I think it's significant. Minister Runciman acknowledged the other day after meetings—I think he was in Washington—that he was told directly by US officials that if there's war, the one thing we can expect is that the border is going to shut down or, at the very least, be restricted in

terms of its flow. Things will slow right down based on the national security issues that the US will then perceive to exist. What are your thoughts on that, how long can that hold and what are the sorts of things that could happen if that does indeed transpire?

The Chair: I would ask if you'd make that answer brief, sir. We're running out of time.

Mr Mackenzie: Sure. There are two questions there. One is how long I think it will last. I don't think it's sustainable for a great length of time, because to the extent that they do slow down traffic across the border, there are significant players in the American economy that depend on the flow of goods, including people in the defence industry in the United States who depend on shipment of products under the defence production sharing agreement into the United States to supply the US defence industry. But in particular the auto industry is so heavily integrated now that we see it every time there's a labour dispute in the auto sector. No matter where the dispute takes place, it has ripple effects through the whole industry with that company. So I think there will be enormous pressure.

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Having said that, if there is a significant slowdown in transborder activity, it will have a very quick negative effect on the Canadian economy in general and the Ontario economy in particular. Some 80% of our trade is with the United States; 80% of our trade crosses that border. A substantial proportion of that amount crosses the border in trucks at Ontario border points, largely Sarnia-Port Huron, Windsor-Detroit and Buffalo. So it would have a significant negative effect, although I don't think it would be very long-lasting.

The Chair: We now move to the government side: Mr Beaubien and then Mr O'Toole.

Mr Beaubien: Thank you very much for your presentation. A couple of comments. I would have to agree—

Mr Mackenzie: I'd be very disappointed if you didn't have some.

Mr Beaubien: I think the fundamentals are good, as the previous presenter pointed out. You mentioned the \$700 million in interest that we have to carry because of the debt that was added. If I recall, in 1995 one group said, "We'll get rid of the debt in five years," another one said four years, and the other one said three years. So I'm sure there would have been some debt load carried over by any of those particular groups at that particular point in time. I don't think it takes a space scientist to realize that if you're facing \$11.3 billion and you're going to phase that over a period of years, whether it's three, four or five years, you have to add it somewhere else. So consequently I think any ordinary person would agree that it would add some additional debt to—

Mr Mackenzie: If I can—

Mr Beaubien: I didn't interfere with you when you spoke, so let me finish my statement, please.

Mr Mackenzie: Sure.

Mr Beaubien: I think any reasonable person would agree that it would add debt to the provincial debt.

The second point I want to make is that on page 7 you mention the exposure of local budgets to cyclical fluctuations and economic activity. I agree there's an awful lot of infrastructure deficit in the province of Ontario. But having had the pleasure and the honour to be involved in 15 municipal budgets—15 of them—we have a municipality where water mains don't break all the time, the sewers are working, the water is being pumped from Lake Huron very well, and we deal with our waste problems. Over the years, yes, there are some economic fluctuations, so you have to put a little bit away on a good day so that when it's rainy you have a little bit of money.

We have some municipalities, and you're quite right, that have a tremendous amount of problems with their infrastructure. We have the largest municipality in Canada that can't deal with its waste diversion. I have small municipalities in my own riding that deal with 80% of their waste stream. They do it, yet we operate under the same funding, the same Municipal Act. So my comment is, why is it that some municipalities can do it and others can't?

Mr Mackenzie: Let me just respond to both of those points.

First, on the debt, I was actually uncharacteristically conservative when I put that number together, because the \$700 million is in fact a measure of the interest on the value of the tax cuts that were implemented during the period of time when the budget was in deficit. So it's not looking at the interest on the total debt that might be attributed to the tax cut; it's simply looking at, in a given year, the tax cuts were worth X number of dollars and the budget was in deficit. Therefore, to the extent that the deficit in that year exceeded the value of the tax cut in that year, that amount of money is attributable to that tax cut. It's just very simple arithmetic, but I think it's pretty conservative.

With respect to the municipal budgets, it's very hard to make these kinds of comparisons because there are a million and one issues that lie behind these things. The fact is that the largest municipality in the province was dealing with the implications of amalgamation. As I pointed out, probably the most significant stress on the budget in Toronto right now is that in order for the municipality to increase its revenue from taxation by 2%, say, to match the rate of inflation, it has to increase residential property tax rates by three times that percentage. Thanks to the provincial policy of freezing commercial and industrial tax rates, the municipality basically has to increase its taxes by triple the percentage that its costs are going up in order to make the budget balance.

As I said, there are lots of reasons why these things happen but I think the bottom line is that there is a significant infrastructure funding problem. It is not limited to Canada's largest municipality by any means. It's a very serious issue. When you drill down below the surface, what you discover is that Ontario is probably the only jurisdiction on the planet in which there is no senior

level funding for transit. Canada is one of the few jurisdictions in the world in which there is no federal government funding for affordable housing. That's being partially rectified in the most recent federal initiative but it's still pathetically inadequate compared with what's needed. Ontario effectively has no affordable housing program. Those pressures all come home to roost.

I think one of the things people haven't paid adequate attention to, and in particular this government hasn't paid adequate attention to, is the extent to which these problems are interrelated with each other. You cut social assistance by 20% and you find the number of children who are given up into care goes up dramatically. Now we've got the report in the paper today that children's aid societies are significantly in deficit. These things are connected to each other and I think it just underlines the risk associated with fairly simplistic approaches to public policy having perhaps unintended side effects.

Mr O'Toole: I have a couple of comments. I always appreciate your input at these meetings because, as you say, it's the policy alternative group.

I think if I was to characterize what we try to do versus what you think should be done, it's which came first, the economy or the quality of life? I think you have to look to the Third World to find the answer. Without the economy, you don't have the other.

Trying to use the metaphor you used, using a flashlight to look at a room that's in darkness and that things are, as you described, an incredible mess, in fact, I would put it to you, without being trite and/or accusational, that in what we call the dark decade they must have been blindfolded, because 20% of all their spending was debt. In fact, if you extrapolate your \$700-million equation, it's clear if you look at all of the costs and the cost of borrowing money going forward, it wasn't sustainable, and I think the people of Ontario recognize that.

Even to address some of the issues in the brief time you've allowed, the current value assessment thing has been talked about for 15 years. Both the Liberals and the NDP talked about it and then backed away because it was too difficult to do. Even to the extent of reports, which I'm sure you may have had a role in—the Fair Tax Commission and the disentanglement report—both talked about the same issue of who pays for what. So to say that we recklessly went at restructuring would be absolutely being blindfolded yourself as an economist; I'd be surprised. Even the extent of your comment on the steel industry and your failure to support the free trade or NAFTA agreements is a contradiction. If you look at it even in light of Kyoto—I asked that question of many of the people—

The Chair: Quickly, please.

Mr O'Toole: I have no question, actually.

The Chair: Then you'll have 15 seconds to wrap up, sir.

1550

Mr O'Toole: The point is that with NAFTA, for instance, your industry and the auto industry have been pleading to be exempted from it, as has the cement

industry. Now that steel you talked about will be coming from a Third World country.

I'm also interested in your view of the freeze on hydro rates. We've been subsidizing them for 20 years. I was on a program recently with Mr Phillips and Mr Prue from the NDP, and they said they'd like to see—

The Chair: Your time is up.

Mr O'Toole:—rates go with the market, as well as water. How do you see those—

The Chair: Your time is up, sir, and unfortunately, Mr Mackenzie, you'll have to answer that question in another manner. We go to the official opposition.

Mr Phillips: I appreciate Mr Mackenzie being here, and I do have some questions because I think that's why you're here. In the budget, the government decided they would abandon the Taxpayer Protection Act and they delayed the four major tax cuts for a year, from January 1, 2003, to January 1, 2004. In my opinion, that was to get through the election, because they did not want to forgo that revenue. As a matter of fact, they put out a document with Mr Eves's picture on it—this was their own document—and it said, "How can the government justify breaking the Taxpayer Protection Act by delaying tax cuts?" and then they quote Moody's, which said, "To meet the target of a fourth balanced budget, the government delayed, for one year, scheduled reductions in a number of tax rates." So there's no question in my mind why they did that and why they had to do it, and I applaud them for doing it.

I appreciate your numbers, because you do a lot of analysis. You haven't done, though, the 2004-05 numbers, and that is where the major tax cuts come back into play. You mentioned in your remarks here the corporate tax, but the bigger one is actually the cut in personal income tax, which the government says is about a \$600-million number. Others believe it may be somewhat higher than that. I think \$300 million is the elimination of a big part of what's called the fair-share health levy, which the government put in in 1996 and is planning to eliminate starting January 1, 2004—eliminate for a portion.

So there is a \$600-million personal income tax cut scheduled for January 1, 2004, a \$250-million cut in education property tax and the continuation of, we think, a \$500-million tax cut to fund private schools—the government says \$300 million. You do not mention those in your remarks here. Have you done any calculation on the impact those other three tax cuts would have in 2003-04 and have you done any projections for 2004-05?

Mr Mackenzie: The 2003-04 analysis takes into account roughly \$400 million. I think I take into account everything except the private school thing, because I just can't get a handle on it. Keep in mind that that's only one fiscal quarter.

Mr Phillips: Three months, yes.

Mr Mackenzie: I'm working from memory here, but the full-year number of the stuff that would take effect pretty much immediately is about \$1.8 billion, I think, and then by mid-decade, the cumulative effect of all

these things is about \$2.9 billion, in current dollars. So you're right. Just beyond the horizon, there's significant reduction in fiscal capacity on our way. I've done the 2003-04-05 numbers. It just wasn't relevant to what I was doing today. I'd be happy to share them with you.

Mr Phillips: That would be helpful to me. I don't know whether the rest of the committee might find it useful, but I would find that helpful as well if you could forward it. All this has to go through the committee.

The Chair: Just forward it to the clerk. We'll get it through the research people.

Mr Phillips: You indicate that revenues would grow this upcoming fiscal year by roughly \$3 billion, which is slightly higher than the kind of formula one uses: per GDP, real growth is \$590 million. Is that because of your estimate of the mix of the numbers?

Mr Mackenzie: Yes. The rule of thumb that everything is going to grow at the same rate works generally. There are a couple of areas where it understates a bit. Even with indexing of income tax brackets, we do still have bracket creep. The brackets don't creep because of nominal growth, but they do still creep because of real growth. Income taxes as a share of a given amount of money are going to go up as the economy grows. That's one bit of acceleration that you get.

The other thing is that coming out of a low point in corporate taxes, corporate taxes tend to grow much more rapidly than the economy on the way up. There's a delayed effect; there's an echo effect from a downturn because of the carry-forward of losses in the corporate income tax system. But once those losses are worked out of the system, it tends to jump back to a higher level much more quickly and that will form part of that as well.

Mr Phillips: You show public debt interest dropping a little more quickly than the government. You've done some calculations on this?

Mr Mackenzie: Yes. This is almost in the nature of a confession. I'm sufficiently anally retentive about this that I actually have gone through the schedule of debt of the province. What we're seeing now is that 10-year bonds that were floated in the early 1990s at fairly high interest rates are being replaced by bonds that pay a much lower interest rate. So in effect, even with a fixed amount of debt, simply the refinancing activities are producing a lower interest burden.

I haven't actually done this in detail, but I think you'll find that when you look back at the ministry's forecasts of debt service costs, there has been a pattern of slight overstatement of interest costs repeatedly over the last few years. I think that's because it's one of the areas of prudence that they give themselves. I think they implicitly assume that debt is going to be refinanced at its current cost of borrowing, and then, when they're able to place the debt at a lower interest rate, they get some advantage out of that.

Mr Phillips: You've touched on it here, the hydro rebate plan, which I asked staff about this morning. I think Ontario Power Generation and Hydro One have

closed their books on their fiscal year and must have provided some estimate of how much money OPG has in what's called its mitigation fund to fund the rebates. Have you—

Mr Mackenzie: I haven't looked at it in any detail.

Mr Phillips: You've not had a chance to take a look at it.

Mr Mackenzie: The only point I would make—I'll just reiterate what I said earlier: the government has indicated with some self-assurance that a policy of financing the rebate through increased debt of Ontario Hydro will pass muster with the auditor. I ain't so sure.

As the auditor has pointed out on a number of occasions, the complexities of the restructuring of Hydro and its implications for the provincial budget have drawn the auditor's attention on a number of occasions in the past three or four years. I'm not sure I'd be as confident as the government is that the auditor is going to let them handle it that way.

The Chair: With that, Mr Mackenzie, thank you for joining us today and offering us your perspective.

This meeting will adjourn until 9 am tomorrow morning, at which time we will resume for day two.

The committee adjourned at 1600.

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Tuesday 28 January 2003

Mardi 28 janvier 2003

The committee met at 0900 in room 151.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Joseph Spina): This meeting will come to order. Welcome, Mr O'Toole. He's on time. The man rises to the occasion when he's called upon.

BMO NESBITT BURNS

The Chair: Our first expert witness this morning for one hour is Mr Douglas Porter, vice-president, senior economist, BMO Nesbitt Burns. Whatever time is left over after your presentation and comments we will divide equally between the parties for questions and answers. You can begin as you wish, and if you'd be kind enough to formally state your name for the purposes of Hansard.

Mr Douglas Porter: Good morning, everyone. I'm Douglas Porter, senior economist with BMO Nesbitt Burns. I'd like to thank you for the opportunity to address the committee today. I did have a presentation handout that I included. It's a number of charts that I think you might find useful to follow along with as I go through my comments.

The main message I'd like to bring to the committee today is that we are generally positive on the outlook for the economy in the year ahead but we are well aware of the many risks that face North American growth at this point.

We do see both Canada and the US at close to 3% growth in 2003 and we see Ontario there as well. Just to put that in perspective, that's pretty close to the average growth rate for the economy in North America over the last 25 years. I also noticed that it's actually quite close to the consensus forecast that the Ministry of Finance has for the year ahead. If anything, we're probably a little bit lower for Ontario, but I wouldn't say the difference is significant.

I would stress again, though, that this is probably a much more uncertain backdrop than we've seen in the last couple of years. For instance, Statistics Canada still hasn't effectively determined whether or not the economy actually was in recession way back in 2001.

Definitely the biggest risk and the biggest uncertainty for the economy and for the markets—and we've also seen it certainly weighing on the equity markets in the last couple of weeks—is the potential for war with Iraq.

The chart on the bottom of pages 1-2 gives you an idea of what happened to consumer confidence and real spending back in the 1990-91 war. I think it's worth pointing out that confidence and spending declined the sharpest in the buildup to the actual breakout of war in January of 1991. You can see the sharp declines in confidence in particular were during the buildup to the Gulf War. Also, the one thing worth pointing out is the fact that both confidence and spending did have a euphoric balance right after the end of the war. But what I take away from that chart is the fact that both confidence and spending actually resumed their underlying trend after the war was over.

Arguably, we're already seeing that downward trend in confidence in the US. Debatably, we're already in the buildup stage and we've also seen confidence in Canada suffer a bit. In fact, it's likely to be reported this morning that confidence in the US is at its lowest level since the early 1990s, although it's still above the levels reached in the 1990-91 recession.

One other thing to point out here is the huge gap between Canada and the US. There are going to be a number of charts I go through that show huge distinctions between the Canadian and US economies over the last couple of years, and confidence is certainly one of the biggest differences we've seen. Certainly one of the main reasons for that is the strength of Canadian employment over the last year and also the fact that Canadian consumers are less reliant on the equity market.

The chart on page 4 shows that debt-to-disposable-incomes have risen to record highs in both Canada and the US. Many have cited this as a warning signal for Canadian consumer spending. Certainly this is critical because, in the US, at least, consumers have accounted for all of the growth in the US economy for the past two years. Simply put, that can't and won't continue. We're not particularly bearish on the consumer; we just don't believe that the consumer can single-handedly carry the North American economy in the next couple of years. I do believe that the concerns over the high debt levels are overstated. The run-up in debt is simply a natural reaction to the rate cuts we've seen. However, the debt service costs are starting to get a little bit stretched and there really is not a lot of room for consumers to grow. So I think the main message on this front is that consumers have certainly carried the burden over the last couple of years. They can't be counted on to lead the economy. I think we'll still see decent consumer spend-

ing growth in the next couple of years, but the major impulse for growth is going to have to come from somewhere other than the consumer.

Where will that growth come from? In the US, basically it's got to come from capital spending. That's where we really need to see the turnaround. Even if it stops falling, that would be a major help for the North American economy. One concern is that there are still tons of spare capacity in the US. I think that's best shown by the chart on the bottom of page 5. Here again is a major, major break between Canada and the US. Whereas US industry is operating with plenty of spare capacity, by many traditional measures Canadian basic industry—that is, industry outside of the tech sector—is effectively operating at full capacity. I'd say the main reason for that difference between Canada and the US in the last couple of years has been the weakness in the Canadian currency. In other words, at the margin, where firms have the ability, they have chosen to relocate their production in Canada versus the US.

You'll note from the chart on the right-hand side on page 5 that the weakness in the Canadian currency has not saved our technology industry. Our tech sector has been hit every bit as hard as the US tech sector, and I think that's largely because of our overweighting in the hardest-hit area of the tech sector, in telecom equipment.

On a more positive note, we are seeing profit margins starting to turn higher in both Canada and the US, and that will eventually lead to stronger capital spending in the next couple of years. Certainly the turnaround in profits has come more quickly in Canada. Partly that's due to our stronger domestic economy, and also because of our heavier weighting in the energy industry. Whereas Canada's profit turnaround has come because of the stronger growth, the US has relied largely on restraint on compensation. In other words, wage costs have not risen and there has been major hiring restraint ongoing in the US.

That probably leads to the biggest difference between the Canadian and US economies over the past couple of years, and that's on the employment front. The chart on page 7 I think captures this the best. I've chosen to chart employment versus population rather than the unemployment rate because I think this is a purer measure. It's not distorted by any kinds of measurement problems at all. Simply put, this is the ratio of the adult population that has a job. A huge gap opened up in the early 1990s. That has now been closed. I think there are three main messages from this chart. First and foremost is that the downturn in the US over the last couple of years in employment has been very similar to what we saw in the past two recessions. By almost any other measure, this was not a typical recession in the US, but at least on the employment front it was a very typical recession. The other thing to point out is how mild the downturn was in Canada. Again, that goes back to one of my initial comments: that StatsCan is still grappling with whether it was officially a recession in 2001; compare the downturn in Canada in 2001 and late 2000 and what happened in the

early 1990s and the early 1980s. Finally, the third point is that after years of underperformance, Canada has caught up to the US; for the first time in 20 years our employment-to-population ratio is as high as in the US.

Despite all the headlines about how Canada has outpaced the US economy in many respects over the past year, it hasn't been that different on the broader measure of GDP. I think that's best highlighted in the chart on page 8. Really, the difference between Canada and the US in terms of growth has been a matter of degree and not direction, and I would expect that to continue in the years ahead. But the big difference this time—and what I think is really significant in this cycle—is that Canada normally underperforms the US at the bottom of a cycle. This time it was different. Canada actually outperformed the US at the bottom of the cycle. Typically Canada only grows faster than the US at the very peak of the cycle. In other words, when US industry is looking for spare capacity and when commodity prices are rising, that's typically when Canada tends to shine. But this time was different, and basically that's payback from all the tough restructuring that went on in the 1990s.

0910

I talked about the ongoing dependence of the Canadian economy on the US; I don't think that's changed one iota. And, arguably, Ontario is the most sensitive to the US. Manufacturing has certainly rebounded in the last couple of years, and that's been led by the snapback in transportation equipment. Automakers are still in an intense market share battle. The positive side of that is that sales are unlikely to fade a whole lot this year, simply because automakers will price their cars to sell. But the negative is that at best output will be flat, perhaps even down a bit, in the transportation equipment sector.

As that chart on page 10 shows for local manufacturers, production expectations by Ontario manufacturers have already dropped in the last couple of quarters from fairly high levels at the start of 2002. Clearly, there's quite a bit of renewed caution among Ontario manufacturers, and we've also seen that in factory payrolls in the last couple of months.

I would just like to spend a couple of moments dissecting where some of the massive job gains were in 2002. There's a fairly detailed table on page 11. Certainly, I think that was one of the stories for the Canadian economy in the past year: 560,000 net new jobs in 2002. Ontario also had a fairly strong year in employment. It wasn't quite as strong as Canada as a whole; we accounted for about 35% of the job gains, or 196,000 in total. That's a little bit below our population share. On an industry-by-industry analysis, one of the things I'd like to point out is that we did see some particularly big gains in Ontario relative to Canada in things like finance, insurance and real estate, in manufacturing, in hotels and restaurants and in retail and wholesale trade. Some of the areas of weakness in Ontario relative to the rest of the country were in other services, which includes large sections of the tech industry. Also, we didn't see the big

gains in education employment that were recorded in the rest of the country.

One thing I would like to point out is that there has been a lot of attention paid to the so-called low quality of the job growth in the last year. For Canada as a whole, part-time positions rose by 8% but full-time was up 2.7%. A lot of people have pointed to that gap as proof that the job gains weren't of high quality. But I would stress that 2.7% full-time job growth is still exceptionally strong and really doesn't take away from the fact that Canadian employment had a very good year.

Turning to Ontario, it was actually very evenly split between part-time and full-time job gains. In fact, if anything, full-time jobs actually grew slightly faster than part-time job growth last year. Full-time job growth was 3.3% last year, a very strong performance by Ontario payrolls.

One negative note for Canada in the past year was the fact that our inflation rate rose to the top of the heap in the G7. There were a number of special factors that drove that rise in inflation. We did see a big increase in cigarette taxes basically across the country. Again, auto insurance, essentially across the country, added almost a full percentage point to the inflation rate in the past year. And there were the big swings in electricity prices in Ontario that also contributed to inflation.

The consensus does expect inflation to come back down toward the Bank of Canada's 2% target by about the middle of this year, or later this year. If I was to highlight one risk for the Canadian economy in the year ahead, it is the possibility that inflation will again rise to the high side and will be a little bit sticky to come down.

We've already seen a major change in Canada versus the US. Throughout the 1990s, Canadian inflation averaged less than one percentage point below the US level; in fact, Canadian inflation was never above the US rate throughout the 1990s. The roles have completely reversed, almost in textbook fashion, over the past year, where Canadian inflation is now almost a full percentage point above that in the US.

It's kind of ironic to be talking about the inflation risk in Canada, given that deflation still seems to be the single biggest risk facing the US economy. I do believe that the deflation risk in the US economy is receding. We've seen services prices very stable over the last couple of years, at around 3%; that hasn't changed. And it looks like goods prices deflation is starting to reverse. One of the big factors driving down goods prices has been the increased competition from China. Arguably, that's where we're seeing the biggest downward pressure on goods prices. But largely because of energy prices we're starting to see goods prices reverse. I do believe that the deepest risks from deflation have receded.

The difference in the inflation outlooks between Canada and the US has translated into the difference in the interest rate outlook. We see the Bank of Canada raising rates again in April, and we think they'll raise rates by a percentage point by the end of the year and up to a percentage point again in 2004. We believe that the

Fed will probably remain on hold through the rest of this year; in other words, US interest rates are unlikely to move at all in 2004. There's still an outside possibility that the Fed will actually cut rates again if the US economy were to stumble or the equity markets were to come under severe downward pressure again. We do think the Fed will be raising rates by next year, but it looks as if the US interest rate backdrop will remain quite benign through 2003.

This big gap in interest rates between the US and Canada—and the rest of the world, for that matter—is likely to mean that the US dollar will continue to weaken in the year ahead. On the flip side, we see the Canadian dollar continuing to strengthen. This again will weigh somewhat on Canada's manufacturing competitiveness in the year ahead. We're looking at a 68-cent dollar one year out. Against the rest of the currencies, we don't think that the decline in the US dollar will be as abrupt or severe as it was in the late 1980s, simply because there aren't the compelling alternatives to the US dollar that there were in the late 1980s; Japan and Europe still remain quite weak. But overall, we do think the major trend, not just for the next year but the years ahead, will be an underlying decline in the US dollar.

The reasons why we're positive on the Canadian dollar going forward, besides the growth differential and besides the interest rate differential: rising commodity prices are a positive. Also, the long-term fundamentals for the Canadian economy still remain quite positive. In contrast to the US, we still have a government-wide budget surplus; we still have a large balance-of-payments surplus. This is a complete reversal from the early 1990s. In the early 1990s Canada was absolutely at the bottom of the heap in the G7 on both of these measures. We're now the only country in the G7 that has surpluses in both the total government balance and on the balance of payments.

We've certainly seen a remarkable turnaround in the US federal budget situation in the last couple of years, and this actually extends to the states as well. If anything, I think the consensus is actually underestimating how far down the US budget deficit will fall. The official numbers for this year, which are likely to be released tomorrow, are probably going to call for something a little bit less than a \$200-billion deficit this year; something closer to \$275 billion actually looks more likely. Even if only about half of President Bush's tax proposals go through and even if the costs of a potential war are limited, it looks as if the budget deficit is headed for something close to \$300 billion this year, and I wouldn't at all be surprised if they had a budget deficit of over \$300 billion next year.

That, of course, stands in almost total contrast to what we're seeing in Ottawa. Ottawa's position is remarkably different. The major reasons for the difference are partly due to the firmer economy in Canada, also partly due to the fact that federal revenues were much less hard hit by the stock market decline than they were in the US and also because Ottawa has had lower spending require-

ments for defence and homeland security than Washington has. Even with new spending in next month's budget out of Ottawa, and even with modest tax relief, it does look like the surplus for this year could be as much as \$2 billion higher than the upper end of Ottawa's forecast—in other words, something close to \$6 billion in the current fiscal year—and it's reasonable to assume that the budget surplus could be as much as \$2 billion higher than their top-end estimates for the year ahead, again depending on to what extent they increase spending and cut taxes in next month's budget.

Overall, just turning to the table at the very end, again I'd stress that we do think growth will be moderate, close to its long-term average in North America in the year ahead. There are certainly still important headwinds prevailing in the US economy. There's obvious risk, not just to the US economy but to the global economy, from the potential Iraqi conflict and from the persistently high oil prices that we continue to see in the lead-up to a potential conflict. In contrast to most of the world, we actually believe that the Canadian and Ontario economies are likely to slow somewhat this year. The reasons for the slowing are partly due to the modest tightening we have seen in monetary policy in this country, almost in contrast to the rest of the world; the fact that we are looking at a slightly firmer exchange rate in the year ahead; the fact that we expect US auto sales to soften a little bit in the year ahead. The high oil and gas prices will also weigh on consumer spending, and also the still sluggish global economy as well.

0920

In terms of what that means for the budget, I think in times of high uncertainty such as we're facing, a balanced approach probably serves best, as always. I think a reasonable course of action would be modest spending increases, to continue to aim for a balanced budget, and I still think some tax relief is certainly a prudent course at this point. It would certainly help support consumer spending at a time of high energy prices and help offset some of the strain on consumers from those high energy prices. But more importantly, I think it would also continue to help foster Ontario's long-term competitiveness.

The US continues to move to cut personal taxes, and that raises the bar not just for Ontario but the rest of Canada. It's not imperative to match US personal tax cuts step for step, but you certainly don't want to be drifting in the opposite direction either when the US is cutting personal taxes so aggressively.

That concludes my formal remarks.

The Chair: That leaves us roughly 12 minutes per caucus. We begin with the government. The first question: Mr Sampson, please.

Mr Rob Sampson (Mississauga Centre): You indicated that the consumer has been pretty helpful over the last couple of years in giving some strength to economic growth in the country and in the province, but given the higher debt loads per income, you are somewhat concerned that the ability to do so over the next couple of years is less than it was over the previous two years or so.

I think you are alluding or maybe you even said that you're hoping the industrial sector somehow picks that up. If consumer demand starts to weaken, why would people invest in capital equipment to retool their plant if they saw consumer demand weakening? I don't quite get that. Maybe you can help me understand that a bit better.

Mr Porter: I guess the point I'd like to make is, there have actually been warning bells sounded about the high level of consumer debt for about the last 10 years. We've been hearing—well, actually, arguably longer than 10 years—about how consumer debt levels are at a record high and it simply can't continue. That's been proven wrong time and again. Because of the decline in interest rates, there has always been room for consumer spending to continue to grow.

I think, on balance, consumer spending will continue to grow. It's just that we can't expect it to single-handedly carry the North American economy. I guess there I'm referring more to the US consumer, who really has accounted for all of US GDP growth in the last couple of years. It's been less so the case in Canada. But I think the main message I'd like to deliver is that I'm not entirely bearish on the consumer. I'm not a doomsayer; it's just that there isn't the sort of room for the consumer to single-handedly lead it. We do need another source of growth to turn around.

In Canada, we've already seen the first inklings that capital spending is starting to pick up. In the US, it's going to take a little bit more time. It's not going to happen overnight. They've got to repair their profit margins, first and foremost. What we've seen in the last couple of years is capital spending actually declining and taking away from growth. Even the stabilization of that would actually help stop the bleeding and help overall growth.

Mr Sampson: Is it that capital spending has to wake up and catch up with the consumer? Is that what has to happen, probably more in the US than north of the border?

Mr Porter: Yes, and I don't think it's going to happen immediately. Probably it will take almost a year before we see capital spending really catch up to the consumer.

Mr Sampson: Your job growth numbers, "Where were the job gains in 2002?"—a breakdown between Ontario and Canada. But take a look at the national perspective. The larger job growth components are actually primarily funded by government: health care, education and social services. Does that give you some concern that if there is some dampening of that growth of expenditure on the public sector side, you're taking a sizable whack out of job growth across the country, let alone this province, that has to be picked up somewhere else. If I look down the list here, the somewhere else is already adding pressure to already pretty robust job growth numbers. To go to the manufacturing sector and say, "We'd like you to pick up another 80,000 jobs"—they're already cooking at 124,800. That's a bit of a stretch to say, "I need you to pick up that slack."

Mr Porter: If you were to measure job growth on a December-to-December basis—which this is, by the

way—I simply think there is no way the Canadian economy can churn out another 560,000 jobs. I think it's important to stress just how remarkable that number is. We've never seen that many jobs created in the Canadian economy in a single year. Even in percentage terms, it was the strongest December-to-December job growth we've seen since 1987. So I think it's very likely that job growth is going to be weaker this year.

As you said, we are likely to see smaller job gains, I would think almost across the board but certainly in the public-sector-funded areas. Arguably, some of that job growth last year was a catch-up after many years of restraint through the 1990s. We did see sectors like education and health care see some real job growth for the first time in years. It was probably exaggerated last year and we're unlikely to see a repeat in 2003. I think that's fair.

Mr Sampson: But those sectors are funded by the public purse.

Mr John O'Toole (Durham): They don't create a product.

Mr Sampson: That's an interesting point. My colleague said they don't actually produce a product. I'm not too sure that's a discredit. I don't know that that is saying much more other than it has to come from economic growth itself; otherwise you don't have the base to pay for it. That's the reality of public sector job growth. It's nice to see, but it comes from somewhere and it usually comes from some sort of a reduction in capacity or growth in the private sector. It has to be funded by something. It's funded by taxes, which presumably is money taken out of the private sector. Is that of concern at all to you, that trend, that bump? Yes, no, maybe?

Mr Porter: Not really, because if you look at the growth in manufacturing and construction last year, and even resources, we had very strong growth. Even if there were not to be a single job created last year in the service sector, we still would have had 220,000 job gains in construction and manufacturing, which would have been a pretty solid year, especially given the fact that the US economy actually shed jobs last year.

What stands out to me is just how broad-based the employment gains were last year. Again, I'd agree with you that there were a lot of unsustainable gains in 2002 that we're unlikely to see in 2003.

Mr Sampson: That gets me back to the first question I asked. A pretty tremendous bump—not your words but similar words—in the manufacturing sector and job growth has got to have been driven by some sort of a consumer demand component that was a little bit more than people anticipated, which I think a lot of people are now arguing has been fuelled by lower debt servicing costs primarily. At 3% or 4% interest, you're going to go out and buy that stereo, get the extra renovation done on the house etc, or buy the new car. I guess what I'm getting to is that the only way you're going to be able to sustain that is to keep debt servicing levels reasonably

low—ie, interest rates low. How does one do that as a government?

Mr Porter: The government can't really do a whole lot about it. Basically, the Bank of Canada drives monetary policy, and they're an independent institution.

Mr Sampson: Can we do that by staying out of the debt markets as much as possible and not crowding out private sector investors?

Mr Porter: There is a lot of debate even in the US whether, over the short term, budget deficits drive interest rates. I tend to subscribe to the view that while it may not have a very short-term impact, over the long haul, clearly high budget deficits and soaring government debt does tend to bump up long-term interest rates in particular. It can also put pressure on short-term interest rates. It's not a tight year-by-year relationship, but definitely over time there is a pretty strong relationship.

Mr Sampson: So some of the low-rate scenarios you are seeing now could well have been precipitated by actions three or four years in the past.

Mr Porter: I think the move toward budget balancing throughout Canada has played a large role in getting Canadian interest rates down toward US levels over the last five years. So I think that's a fair comment.

Mr O'Toole: A couple of questions, following up on the same themes without repeating them. I ask the question, where do you expect the growth to come from if it isn't consumer-driven? There is some expectation that machinery- and equipment-buying would be higher, and capital investment. Is it the confidence in the market, post-Enron etc? What is avoiding the capital accumulation part? What is it? Is it purely fragility of demand?

0930

Rob has established the point quite well, actually, that we've had a demand-driven economy on the consumer side, low inventory levels. In any market, there are the lowest levels of inventory ever, and yet they're buying future market share. That's what discount product cars are about, pulling ahead sales. "I might buy a car next year, but they're zero now so I'll get it now and save all the money." I'm saying I don't get it. Where do you see the drive will come from? Machinery and equipment? Investment technology? I'm thinking of my own portfolio right now. I really have no clue.

Mr Porter: One thing to point out is just how far machinery and equipment fell through 2001 and 2002, particularly in the US. As you said, inventories are at very low levels. It doesn't take a whole lot of an increase in demand to really get firms to realize that they've cut inventories too far and, were inventories to turn, that would be the first case where we'd see a real push come from growth. Ultimately, as I said, even if investment in machinery and equipment started to turn the corner just a little bit, that could have a huge add to growth as well.

Again, I would stress that we do see both Ontario and Canada actually slowing a little bit this year.

Mr O'Toole: Yes, I see that. Your numbers are actually a little less optimistic. They're in the 3% range versus 3.9% or 3.6% in terms of GDP.

Another thing that's not really consistent here is that you're a little more cautionary with respect to the inflationary pressures. You're suggesting there will be some inflation pressure which will drive the interest rate, which will slow the economy. Your counterpart, Rick Egelton, was saying that the underlying inflation remains rather tame, which reflects on interest, which is getting back to Rob's point in terms of what consumers are doing.

Mr Porter: There has been a real split in the view on inflation. But what I would point out is that no matter what private sector economists believe on inflation, the Bank of Canada has even told us, last week, that they remain very concerned on inflation. For the outlook, that's what really matters. It doesn't matter what private sector economists believe on inflation. The Bank of Canada seems to believe there is some real underlying pressure there. They have so much as told us that they're poised to hike interest rates. So whatever private sector economists believe on inflation, the bank has made it pretty clearly known that they think there is a problem.

Mr O'Toole: Looking at one of the charts that Janet produced, yesterday she said that business is becoming more optimistic. It's the business consumer confidence index. She sees it in the fourth quarter going up significantly, actually, which gets back to answering the question. If there's business consumer confidence, then they will expand the plant, build inventories, and do what's necessary to be ready for the next wave.

So you think the economy is basically slowing or flattening a little bit. The line is—

The Chair: Please wrap up.

Mr O'Toole: Yes. You offered some insights, I suppose. Energy prices, the Middle East: are those the same things that you see as cautionary notes on the horizon?

Mr Porter: Yes. Also, I think there's still quite a bit of uncertainty over the entire potential for a war with Iraq and I think, especially in the US, that's freezing big decisions by businesses right now and, to a lesser extent, consumers as well.

Mr O'Toole: One last comment—

The Chair: Thank you. We will now move to the official opposition.

Mr Gerry Phillips (Scarborough-Agincourt): I want to talk a little bit about the US and its impact on Ontario and Canada. The number I always remember is, I think in 1990 international exports were the equivalent of 29% of the GDP, and I think it's over 50% now. I realize you've got to then subtract imports and whatnot, but we now are very much export oriented to the US.

You've indicated that you think the US dollar will decline relative to other world currencies and the Canadian will appreciate. I think you indicated 68 cents.

Mr Porter: Yes.

Mr Phillips: So there's that issue. You're estimating a federal budget deficit in the US of \$300 billion. My look at the US states, even though they can't run deficits, is that they are running deficits, funding them with reserves right now.

I'm trying to get any advice you've got for us on what the implication is for the Ontario economy. I think you also indicated some concern about the auto sector here. What are the implications of all of those things: a rising Canadian dollar, a falling US dollar, and significant budget deficits that I think you indicated may not be short-term in the US?

Mr Porter: Clearly, one of the main differences that drove the gap between the Canadian and US economies, especially on the employment front over not just the last year but the last few years, has been on the manufacturing side, and I think a lot of that was due to the pronounced weakness of the Canadian dollar since about 1998.

Prior to, say, 1997-98, I think you could attribute a lot of the decline in the Canadian dollar to inflation differences between the two countries. But in real, effective terms in the last few years there has been a massive depreciation of the Canadian dollar, and I think that really began to have a huge difference in where manufacturers chose to relocate their production. It certainly was to Canada's benefit in the last couple of years. We saw that huge split, whether it was in manufacturing output or employment.

Clearly there is a risk that if the Canadian dollar continues to rise—and some other economists have pointed this out—that big competitive windfall that Canada has been handed will slowly start to reverse. It's not going to show up immediately. It will probably take a couple of years before it really begins to be reflected in a narrowing of the manufacturing gap between Canada and the US. But I think it does put a lot of the competitive gains we've had in the last few years at risk.

One thing to point out about a declining US dollar against the rest of the world is that it has dropped quite sharply against the Euro in the last year; in other words, by a little bit more than 20% from its peak. The one positive for Ontario—probably more so for the rest of the country, though—is that we will become a little bit more competitive in Europe and in third markets as well because of the renewed strength in European currencies.

One implication I would point out about the problems that the US is having on the budgetary front, and particularly on the state front, is for a lot of the subsidies we've seen that the states have thrown at industries in the last couple of years. I think we might see those start to back off in the next couple of years as they face some real budgetary restraint in the next year or two.

Mr Phillips: The finance minister was here yesterday indicating that it's her plan to move corporate taxes in Ontario to a level 25% below the US. The numbers she produced yesterday show the US federal-state combined corporate income tax at about 40%. She announced that it's Ontario's plan to get provincial-federal corporate taxes to 30%, which is a 10-point spread, about 25% below the US. I think each point is probably worth about \$400 million in revenue in Ontario, so it's a \$4-billion decision.

Your advice to us was one of balance. I don't know whether you used "caution" or not; I think you used "balance." Do you have any thought for us on whether we need an Ontario corporate tax that's 25% below the US to compete? And is that the area we should be looking at having our tax regime substantially different than the US?

Mr Porter: There are a number of things that drive an economy's competitiveness, and certainly corporate taxes are an important element of it. The other thing to point is that a lot of that decline is being driven at the federal level as well. It's certainly not just an Ontario decision.

Given the fact that for years and years Ontario and the rest of Canada were basically on the other side of that issue—and I think it was to our detriment—I would agree with the general trend. I don't know if I would necessarily agree with the exact specifics, but I think the general trend I would totally be in favour of.

Mr Monte Kwinter (York Centre): When you talked about the employment rate, you were saying that 2002 was really an outstanding year, and the chances are that we won't see that again in 2003. Is that—

Mr Porter: Based on a December-to-December basis, yes. I don't think we can expect that kind of job growth again.

0940

Mr Kwinter: What I don't understand is that in your projections of the GDP you show that 2003 is going to be below last year, and yet you show the employment growth as being quite dramatically higher in 2003 in Ontario. How do you square that, where on the one hand you have the economy not growing as fast as it did last year, which had outstanding employment numbers, and yet you're going from 1.7% to 3% in 2003?

Mr Porter: In some respect, those annual average numbers that are in the 2002-03 forecast table hide as much as they show, because it's an average of the year versus an average of the next year, whereas the employment numbers, the employment tables, are based on a December-to-December forecast. If I were to forecast employment growth in percentage terms from December to December, it would show a significant slowdown in 2003. In other words, a lot of that growth is already baked in the cake, it has already happened for 2003, because that forecast looks at the average employment level in 2003 versus the average in 2002. By the end of 2002 we had already risen, heading into this year, to a fairly high level. So even if employment flattened out over the next 12 months, you'd still get tremendous growth between the average of 2002 and the average of 2003.

Again, a lot of the job gains in late 2002 were not in manufacturing; they were not in the high-productivity areas of the economy. We saw most of the big job growth in Ontario in manufacturing earlier in 2002. Admittedly, it does look a little bit inconsistent, but again it's because a lot of that growth has already happened on the employment front.

Mr Kwinter: You also talked about the employment rates in Ontario being slightly below the Canadian average and slightly below their representation in the population.

Mr Porter: Right.

Mr Kwinter: What about their representation in the percentage of GDP in Canada? Have you got any numbers on that, as to what the employment rate is in Ontario vis-à-vis the percentage of GDP in Canada?

Mr Porter: Well, Ontario accounted for about 35% of the job gains last year. I can't remember the exact number off the top of my head, but I believe GDP in Ontario accounts for about 41% or 42% of the economy. But again, another way to look at the job growth last year is, what was the percentage growth in Ontario? It was over 3%. Yes, it wasn't as strong as in the country as a whole, but 3% job growth is still quite formidable. Keep in mind, again, that the US had absolutely no job growth last year, and effectively the rest of the G7 had no job growth either. So 3% is certainly still a very strong year. Again, I would stress that in contrast to much of the rest of the country, actually a slightly greater share of that job growth was in so-called high-quality, full-time jobs. So I would not downplay the employment performance in Ontario at all over the past year.

Mr Phillips: The economic outlook by the survey of economists and whatnot looks like it has been trending down a little bit over the last few months. I don't know whether that's true with you as well. You show a modestly lower economic outlook for 2003 than the consensus, but just modestly. Is that something we should be just mildly worried about, or are there any significant clouds on the horizon? I realize the obvious answer is Iraq. You urged caution, I think. Is it something that is significant, the downward-looking forecast?

Mr Porter: I believe there's more than just Iraq behind the story. Just for your interest, we actually haven't really changed our 2003 forecast significantly for quite some time. But I think there is more than just Iraq going on here. First of all, oil prices have been elevated for quite some time. Again, I think it's more than Iraq that has driven that. Clearly, the general strike in Venezuela has pumped up oil prices, but I also think there has been some underlying strength in demand for oil and natural gas, and of course the weather has contributed to that as well. But that, by itself, is weighing on consumer spending, although not just in Canada but also in the US.

I think there's even more to it than that. I think the weakness we've seen in business confidence over the last year in the States and the sluggishness of employment gains in the US have dampened the outlook. There's no doubt about it. Slowly but surely, the outlook in the US has been scaled back pretty consistently over the last six months. As recently as six or eight months ago, I don't think anybody believed the Federal Reserve was going to cut interest rates again, yet they did in November. Now there's talk that even that's not enough, that the Fed may have to cut rates again.

Again, it is more than Iraq. I think the US economy is still dealing with the bursting of the technology bubble and the big decline in stock prices in the early 2000s. I think both consumers and businesses are still grappling with that issue. There has been a pretty steady downgrading of the medium-term outlook for the US economy.

The Chair: We now move to the third party.

Mr David Christopherson (Hamilton West): Doug, it's good to see you again.

I just was curious, on page 19, to note that if you look at the history of deficits in the United States, they didn't start getting heavy-duty until Republicans became occupants of the White House. Reagan—suddenly you've got some serious deficit numbers. Bush, the first, inherited a relatively modest deficit and managed to drop that to a \$290-billion deficit. Then it was the tax and spender guy, as the right wing liked to label Clinton, who eliminated the deficit, all the way to a surplus of \$237 billion. Now we've got Bush the second, and boom, we're right back to \$275 billion. I just thought that was interesting, the rhetoric versus the reality.

Secondly, it also needs to be said that it doesn't matter how right wing you want to be; if the desire is there, if you feel the need is there, they're quite prepared to be very Keynesian about it. The \$275 billion—correct me if I'm wrong—is defence and homeland security. That's the thrust of it. So when the issue is big enough, even the right wingers will say, "A balanced budget is not the absolute priority; there are some things that go beyond that." But heaven forbid it should ever be health care or education or dealing with child poverty or any of these other things that should drive the right wing to say, "Hey, we really should run a short-term deficit here."

Now that I have that off my chest, I can move on to a real question. Under the central banks and where the feds are, if you could help me with this: when Japan got close to zero in terms of their overnight rates, it was weird—Twilight Zone, kind of—to think of money being offered up at virtually no cost, and yet the US, right now, is on the border of that. When you reach zero, or a quarter of a point above that, is it just the lowest possible number that you can get to, or is there a significance to that milestone that triggers other dynamics? What happens when the Fed—or can it get to zero? These are worlds that I don't think we've been in before, and I'm curious as to how those things can play out.

Mr Porter: There have been situations where you can actually get to zero interest rates. It is a critical threshold. It's actually something the Fed has been addressing a lot in its public comments recently.

I guess what I would say is, right now they're basically taking a two-pronged effort to try to avoid getting into that situation. They're trying to be pre-emptive, cutting interest rates perhaps even more aggressively than they would have otherwise to try to spur the economy and break the psychology of getting anything close to the Japanese situation. At the same time, they're also basically talking down, publicly, in all their statements, the

possibility of the US following the Japan model. They're saying, "We have all kinds of tools to try to avoid deflation." Through both their actions, they're basically just trying to break the whole mindset that it could possibly happen here.

Do I think it's impossible? I don't think it's impossible. In other words, it could happen in the US. I think it's a long shot. There are a number of still very important differences between what happened in Japan in the early 1990s and what's going on in the US right now. But it's not impossible to imagine that they could get drawn into the same situation.

0950

Mr Christopherson: What does that mean in terms of the real world of money moving overnight? What does that mean when it's zero, when it effectively doesn't cost anything to borrow money from the Fed?

Mr Porter: At least at the very short end—now, what you tend to see is that some of the longer-term interest rates don't fall as quickly. For instance, it took almost 10 years before long-term Japanese interest rates got down to 1%, and they're still close to 1%, so there is still a little bit of a premium built into the longer-term rates. But you're absolutely right: effectively, there is no cost to borrowing money. Now, the cost that people do incur is that prices continue to fall, so that in real terms it actually is costing you a little bit. And the Fed is trying to avoid that whole mindset from developing, because to me that's what deflation really is; it is a mindset where people believe that prices will continue to decline so they put off expenditures today because they think tomorrow or next year prices will be even lower. It's basically, both for consumers and businesses, an entire philosophy that develops, and it becomes very difficult to break.

Mr Christopherson: It's interesting; you've mentioned deflation a few times this morning, and yesterday Rick very much downplayed it. I was pursuing it because it seems to me that there are an awful lot of very serious deflationary pressures, although most people are talking inflation. You've introduced it a few times in your comments. It looks to me like in many ways, in terms of commodity prices, we already are seeing deflationary pressures taking hold. Your thoughts on it?

Mr Porter: I think it was more of an issue about a year ago, when commodity prices were quite depressed and the US economy was still at the depths of the cycle. The US economy has grown by about 3% in the past year and we've actually seen a lot of commodity prices really begin to turn the corner. I have trouble really getting worked up about the potential for deflation with gold prices now at their highest level in six or seven years. For instance, just yesterday it hit \$370. So I think the Fed has been doing the job over the past year and slowly erasing those deflationary concerns. But in the middle of last year I do think it was the biggest risk facing the US economy. I think it has faded a little bit. As we have seen the US slowly work its way toward recovering, a lot of those commodity prices start to come back.

But I think the real genesis or the start of those deflationary concerns did come from the prolonged weakness in Japan, the competitive threat from China—which is really driving down the price of almost anything—

Mr Christopherson: Exactly. I raised that yesterday with Rick.

Mr Porter: Almost anything you can put on a ship, the prices are declining. So I'm not that worried about deflation, but I think at the same time you're not going to see a huge inflationary impulse either in the next couple of years in the US economy.

Again, it's a very different picture in Canada because of the strength of the Canadian economy in the last year and the fact that Canada is actually operating at pretty close to what's considered full capacity, outside of the tech sector.

Mr Christopherson: Would a faltering economy change that? If it's stalled—say there was a war, the border closed up, everything dropped and then consumer confidence dropped; a few other horrible things happened. Could that trigger that, or do you still think in North America we're pretty much insulated from further deflation?

Mr Porter: No, I'd say that's probably the biggest single risk of deflationary concerns popping up again, were the US economy to go into a full-fledged double-dip. I think you would hear talk about deflation again.

Mr Christopherson: You didn't raise this directly, but I wanted to get a chance to ask one of you fellows who are experts at these things. There's talk about the productivity gap—it was mentioned yesterday—between the US and Canada. In the past, of course, normally what that meant was, just sort of speed up the line, in its crassest terms, going back to the beginning of the Industrial Revolution. Then there was the introduction of automation, new management techniques, division of labour, things like that, that affected productivity. What is it now, in a modern economy? Is it still to make people work faster or work smarter? Is it more emphasis on the technology end? Is it the infrastructure that you can provide, either within the economic area—like within a city or within a province or a country? What are the main things right now that are driving productivity and the things that will make the difference in terms of our productivity versus that of the US?

Mr Porter: I guess there are two ways to look at it. There are the micro issues. In other words, within specific firms and within specific industries you want to give them the tools to be able to increase the productivity the most they can. Then there's the broader issue for the economy as a whole. You want to be in the industries that are growing the fastest, that have the best long-run productivity. That has certainly been one of the reasons why the US economy has had the highest productivity growth since the mid-1990s, because they were so strong in the industries that have seen the strongest productivity growth since the mid-1990s. In other words, they've led the world in the tech sector. Admittedly, that hasn't been a huge positive in the last couple of years, but that has

been the area that has seen consistently the strongest productivity growth, not just in the last five years but in the last 10, 15 years. The US leads the world in the tech sector; the highest share of their economy is in that sector. So effectively, one way for your economy to have the strongest productivity growth is to be in the industries that are productivity leaders. I think the way to get there is to offer an environment where the economy adjusts freely. Money will be invested in firms that have the greatest profit potential, which are areas that have the highest productivity growth.

Mr Christopherson: But profitability and productivity are not necessarily the same thing.

Mr Porter: In any given year, no; that's true. But over time, you do tend to find that the two will move hand in hand.

Mr Christopherson: It's just that I hear it over and over, and I'm trying to get a handle on exactly what they mean when they say "productivity." Normally it's meant in a condescending fashion to say that Canadian workers don't work as hard or as smart as their US counterparts. Surely to goodness it's not that simplistic; there's more to this. I'm just trying to get at the components. You talked about the tech sector, and I can appreciate that. If you're the only one in the game because you're the only one who really knows what's going on, you don't even have to be all that efficient if you're the only one producing it, if you're far enough ahead in terms of what you know, the knowledge added. Is that the whole game? Is it all about knowledge added now?

Mr Porter: That's one way to look at it. I think of productivity not just in raw terms of output per person; I think of it as value added per person. If you can add more value in a knowledge-based job, rather than in, say, a manufacturing job or whatever, then all the more power to the economy.

Mr Christopherson: Let me try it another way: are there some, then, who, when they say "productivity," mean "profitability," which means it's as pure and simple as who can find the labour that will work for the cheapest and therefore profitability is up and therefore productivity is up?

Mr Porter: That's certainly not the way I think of it. When I look at the productivity numbers, it comes at it in terms of value-added output per person-hour. As I said, typically you see productivity and profits move together in a cycle, but you wouldn't necessarily measure productivity by looking at profits. That's not the way Statistics Canada does it and it's not how I would do it either.

Mr Christopherson: OK. You said—

The Chair: Quickly.

Mr Christopherson: Am I done?

The Chair: You have about 30 seconds.

Mr Christopherson: Then I'll just say thank you, with 30 seconds. I appreciate it very much.

The Chair: Thank you, Mr Porter. We appreciate your time and contribution.

BANK OF NOVA SCOTIA

The Chair: Our next presenter is the Bank of Nova Scotia. I believe Ms Webb, senior economist, is doing the presentation. Please state your name, of course, for the purposes of Hansard. You're familiar with this, I know, Ms Webb.

Ms Mary Webb: Good morning. My name is Mary Elizabeth Webb. I'm a senior economist and manager with Scotia Economics, part of the Scotiabank group of companies. Thank you very much for inviting the bank to make a presentation this morning. It is certainly my privilege to be here. I'd like to offer the regrets of Aron Gampel. Unexpectedly, he did have to travel this week, and he is certainly very sorry he could not be here.

I'd like to read into the record our pre-budget submission. It's titled "Sustaining Ontario's Recovery." There are three key points we wish to stress. First of all, Ontario's economic growth is forecast to ease to around 2.75% in 2003 from last year's 3.6% advance. But momentum should gradually be rebuilt later this year and through 2004.

Secondly, the global risks are historically high, including the soft economic recovery worldwide, extended financial market volatility, terrorism fears and a potential conflict in Iraq.

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Third, the importance of remaining competitive in NAFTA ups the ante for the province to balance social spending priorities with further tax reform and debt repayment.

The risks to the economic outlook right now are considerable. The Ontario outlook we present today represents our best-case view of developing economic conditions this year and next. Our forecast builds upon our assumptions for financial markets as well as the important interplay associated with public policy adjustments.

This outlook paints a relatively favourable picture for Ontario's growth, with the province's diversity and improved productivity underpinning its economic resilience. Ontario is expected to remain one of the strongest economic jurisdictions in the world, outside the primary energy-producing provinces domestically and the outperforming countries in southeast Asia such as China.

However, projections at this time are more clouded than usual, owing to the large number of economic, financial and geopolitical uncertainties. The US economy, up to now the world's growth locomotive, has lost considerable momentum, while the pace of activity is either grinding to a halt in the Euro zone or stalled as in Japan. Political and debt-related problems in South America have undercut this region's performance. As 2002 drew to a close, Canada's trade volumes essentially flattened out, highlighting the sensitivity of our economy to weakening international growth.

At the same time, recurring bouts of financial market volatility have provided little sustained relief for either investors or businesses. Topping off this list are the es-

calating tensions in the Persian Gulf region, now compounded by periodic bouts of international terrorism, ongoing clashes in Africa and along the India-Pakistan border, and new political hot spots in North Korea and, closer to home, Venezuela.

Probably the most critical threat to near-term economic growth is the potential for military conflict in Iraq. Crude oil prices have climbed roughly 65% over the past year, boosted by the emerging war premium in anticipation of potential supply disruptions and magnified by recent supply cuts in Venezuela. Any outbreak of military hostilities would likely send crude prices significantly higher and support them at elevated levels, with the duration a function of how long the global flow of fuel is at risk. This extra drain on the pocketbooks of the world's household and business users would further dampen international growth prospects, leaving Ontario's very export-intensive economy vulnerable to considerable slowing.

The event risk appears palatable, but as yet is largely incalculable. What we can surmise is that for a time global growth will likely be slower, while interest rates and equity markets will move lower than otherwise would be the case. In this highly volatile environment, monetary officials both at home and abroad will endeavour to cushion their respective economies by providing very accommodative financial settings until more stable political and economic conditions emerge.

Once these geopolitical tensions abate, the global economy is expected to recharge its spending batteries. Ontario should be able to piggyback on the recovery south of the border, reinforcing the continuing momentum in domestic activity. Ottawa's upcoming budget will likely provide additional economic support in the form of new spending, selected tax initiatives and a continuing focus on paying down debt with its unused contingency reserve.

In contrast to most of the monetary authorities in the industrialized world, the Bank of Canada has served notice that it intends to resume raising interest rates as soon as the clouds of uncertainty overhanging the global economy and financial markets begin to dissipate. Governor Dodge has indicated that with domestic activity proving to be more resilient and bumping up against capacity, price pressures in Canada appear to be both bigger and broader than had been expected.

In this environment, borrowing costs are likely to move gradually higher in the second half of 2003. Even with this renewed shift toward restraint, interest rates in Canada will only be moving from ultra-low to just low levels by historical standards. The widening differential between Canadian and US borrowing costs should reinforce some modest appreciation in the Canadian dollar that has gained some traction alongside the broad-based weakness in the US dollar over the past year.

Ontario's recovery path: Ontario's growth, after cooling slightly this year, should witness a stronger rebound in 2004. A resurgence in business investment, so critical to Ontario's manufacturing and service sectors, will be

slow to materialize in 2003, leaving consumers and government to underpin the province's momentum in the near term.

Fortunately, Ontario households still have some spending power, after pushing up housing starts and motor vehicle sales last year. The high-octane fuel is job creation, with 195,000 new positions in 2002. Encouraged by the greater job opportunities, labour force participation rates surged to highs not seen since the early 1990s. Consequently, Ontario's annual unemployment rose to 7.1% last year, significantly above the 6.4% rate if participation rates had remained unchanged through 2002. Factoring in wage increases and federal-provincial tax cuts, Ontario's after-tax personal income growth has averaged a solid 5% over the past three years.

This strength, alongside historically low interest rates, should help to sustain household spending growth as job creation slows in the coming months. Corporate hiring is expected to become more cautious as output gains remain soft early in 2003 and the pressure on profit margins persists.

The housing market has been a big beneficiary of these positive trends, boosting growth in Ontario and the rest of Canada as well. Housing starts and home sales in Ontario are forecast to remain at historically buoyant levels this year and next, even with some expected retrenchment. During the first half of 2003, the completion of numerous multi-unit projects and the backlogs from sales of new single, detached homes should keep residential construction high. The booming condo market has begun to ease the province's tight urban vacancy rates, but several factors, including Ontario's attraction for about half of Canada's immigrants, are expected to support this market segment.

Motor vehicle sales are also expected to remain buoyant, benefiting from incentives and a relatively older fleet.

Increased infrastructure spending is also underpinning Ontario's construction sector as building permits for government/institutional projects surged an estimated 30% last year. The public sector, most notably health care and education, will also help to brighten the outlook for Ontario's service sector this year. However, wholesale trade, the financial sector and a range of other business services are expected to remain constrained through much of 2003 by the slow turnaround in corporate earnings and investment.

Ontario faces the challenge of building on the gains already achieved in an intensely competitive NAFTA environment. The province's tight ties to the American economy extend beyond exports, which currently exceed 40% of its GDP, to integrated production and service activity and substantial cross-border investment. As a result, pre-tax corporate profits in Ontario have followed the American downturn more closely than in other provinces. Beginning in late 1999, earnings in Ontario slid 31% over nine quarters, compared with a 24% drop in the last three quarters of 2001 for the other provinces. In 2002 and 2003, the limited ability of Ontario firms to

pass through cost increases is restraining the revival in profits, but stronger earnings are anticipated in 2004.

The extent of corporate consolidation in Ontario is illustrated by the amount of office and industrial space returned to the market last year. For Toronto and Ottawa, net space released totalled almost 1.6 million and 3.2 million square feet, for office and industrial premises respectively. Lingered corporate caution is likely to restrain the size of new deals through year-end, restraining non-residential construction into 2004.

Ontario, however, was one of only three provinces in 2002 posting an increase, albeit small, in its merchandise export receipts. The gain reflected the pickup in its dominant motor vehicle sector. Assemblies rebounded 4% last year, following a 14% drop in 2001. This year and next, assemblies are expected to be largely flat, with the continuing ramp-up in transplant facilities offsetting lower output from the Big Three. After the two scheduled closures, Ontario's remaining assembly plants are extremely competitive, but concerns remain about gaining new capacity. Where Canada is increasing its market presence is in the auto parts industry. Its share of a North American vehicle has climbed 21% over the past four years, reflecting the industry's focus on increasing value added through major investments.

Heavy truck production, after holding its own last year in advance of tightening emission regulations, is now expected to soften, reflecting the comparatively young average fleet age. Prospects are also clouded for Ontario's aerospace industry.

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Substantial gains in the province's export receipts await stronger machinery and equipment investment, now delayed until at least 2004. Tonight we will hear more about domestic prospects in the US in the President's State of the Union speech, but benefits from Washington's substantial stimulus should also emerge next year. Demand for information technology equipment and services is already strengthening, but the telecommunications industry is still grappling with excess capacity.

In the high-tech sector, near-term prospects are more promising for film/TV production and biotechnology. Ontario closely follows Quebec with almost 30% of Canada's biotech firms, spurred by a focus on health and products related to agriculture. Here too, the province faces substantial competition from alternative Canadian locations and notable US clusters as it fosters start-ups and corporate expansion.

Staying the course: the challenge for fiscal policymakers both at home and abroad is that increasing demands on the public purse are bumping up against only a gradual recovery in revenues. Within a balanced-budget framework, meeting new priorities requires increasingly difficult fiscal trade-offs over time. For Ontario, current uncertainties underline the importance of maintaining its substantial contingency reserve.

The prospect of an intensely competitive NAFTA environment reinforces the importance of a "productivity

lens" for Ontario's policy initiatives. Other provincial governments and neighbouring states are also weathering fiscal strains, increasing the potential longer-run dividend for Ontario's competitiveness from a careful balance of effective spending and taxation measures. A modest pickup in Ontario's tax receipts is forecast for fiscal 2004 as nominal GDP growth climbs back over 5% this year and next. Personal income tax revenues will be supported by the recent strength in job creation, while buoyant home sales will keep land transfer tax receipts high.

Restraining revenue increases, however, will be scheduled tax cuts and the carry-forward of both business operating losses and the substantial capital losses stemming from the extended slide in equity markets. Ontario has no significant revenue offset, in contrast to several other provinces, most notably Alberta, where resource receipts are presently riding higher with oil and gas prices. In addition, Ontario must begin to remit to Ottawa a \$1.3-billion revenue overpayment in fiscal 2005.

The likelihood of a considerable rise in federal health care transfers is, therefore, welcome news for fiscal 2003 and onward. The strength of the province's publicly funded health care system is an important competitive asset. It requires replenishing, but it also needs restructuring, since its 40% share of program spending is already limiting other initiatives.

Ontario has other massive spending needs that are important to the province's quality of life and productivity. They include increased funding for elementary and high school education, the multi-year expense of the double cohort, increased training, urgent investment in our border crossings, and managing southern Ontario's extensive urban growth. In the Golden Horseshoe, for example, the population increase from 1996 to 2001 accounted for roughly half of the national gain, demonstrating the required catch-up in infrastructure, most notably intra-urban and regional transportation. Fortunately, Ontario should be able to leverage federal assistance for a number of these priorities.

Moving forward with promised personal and corporate tax reductions will be key to Ontario's business environment. The fundamental tax reforms of President Bush's growth and jobs plan have raised the ante for both Ottawa and Ontario to put new tax cuts back on the table. Multi-year initiatives will help the province to stay in the black. In preparing the new tax reduction package promised in last spring's budget, attention should be given to profit-insensitive levies. They pose a very visible disincentive for investors that diminishes Ontario's increasing competitiveness with neighbouring states on corporate income tax.

Going forward, the province's longer-term flexibility is still constrained by its debt service burden. North American interest rates will inevitably rise from the current situation of monetary ease, making debt repayment the only sure route to lower interest costs. The province will realize some saving this year and next from refinancing high coupon debt, but modest financing requirements could well absorb much of this windfall. The

importance of systematic and significant debt reduction to Ontario's competitiveness suggests that a major portion of the proceeds from future asset sales should be earmarked for liability repayment.

Thank you very much.

The Chair: Thank you, Ms Webb. That leaves us with about 14 minutes per caucus. We begin with the official opposition.

Mr Phillips: Thank you very much. I was caught by your last comment about future asset sales. There's one being announced today, the sale of the provincial savings offices. I think it's going to balance the books rather than pay down the debt.

But my first question is just on the revenue outlook. I seem to recall that your organization is one that actually does some revenue forecasting, and I'd once again ask you, which I think we did last year, if you would provide the committee with that.

Ms Webb: Yes, I would be pleased to.

Mr Phillips: We can't get a thing out of the government. We have one number for the next fiscal year that's eight months old, so we're kind of flying blind here. Can you give us kind of an overview of how you see the revenue outlook over the next couple of years for Ontario?

Ms Webb: I certainly see tax revenues coming back, but not as strongly as one would have hoped. That's partly because of the extended capital losses and the fact that they take so much out of PIT receipts, particularly in Ontario. So in terms of tax revenues, I'm looking for an increase of about 2% for fiscal 2003, probably strengthening to 2.5% to 3% for fiscal 2004. Then you have to figure out what is going to happen with asset sales, but I am expecting that the federal government will come to the table with significant funding, and Ontario's share of that is about 40%, so I'm looking for a significant boost from that. The telltale evidence and rumours certainly seem to indicate that that's going to come in fiscal 2003 as well as in 2004. So somewhere between a \$500-million to a \$1-billion boost will certainly help to balance the books as well as any asset sale.

The concern, of course, is that tax revenue and own-source revenues are falling far behind what we saw from fiscal 1997 to fiscal 2001—tax revenues were greater than 6% in many of those years—and that's going to really limit how much the province can go forward on new tax cuts and new spending initiatives. It means that the tough trade-offs have to continue.

Mr Phillips: The information was very helpful, Ms Webb. Yesterday, Hugh Mackenzie from the Steelworkers had a much more optimistic view of the revenue forecast than the 2% to 2.5%. I'm struck by the federal numbers. Even though they're looking at a significant surplus, this Fiscal Monitor that they put out, which I got yesterday I think, shows personal income tax revenue down about 6%, April to November this year versus April to November last year, and corporate income tax down 21.5%. So there are these almost contradictory signals: a big surplus federally but the key revenues look

like they're down. So I repeat myself: that will be very helpful to us.

Ms Webb: May I speak to the federal revenues for a moment? Those numbers are very negative because April and May were so negative, starting off the year. As we move through the rest of the fiscal year, I think we will see that Canada's very strong job creation will boost EI premiums and also PIT receipts. We've weathered the worst of the PIT on the federal side, and on the corporate income tax probably the same thing, although I'm still expecting operating losses to really take a cut out of corporate income tax revenues for Ontario and Ottawa this year.

Mr Phillips: But you're still quite modest in your growth, at 2% and 2.5%, more so than I thought you would be.

Ms Webb: I guess my concern, and I could be low—for 2004, we're looking for 2.5% and that could be 3%—but there is substantial risk out there. When we were looking at what options Ontario had, we wanted to make sure that we were looking at potentially a conservative picture to figure out what we could recommend to the government.

Mr Phillips: Your suggestion on tax is for ones that are not profit-sensitive, or they're "profit-insensitive," to use your language. The minister yesterday announced actually that—at least, the major corporate one that she confirmed yesterday was to move corporate income taxes, the profit-sensitive ones, to a rate roughly 25% below our competitors in the US. Is that the right policy decision or, if we are going to proceed with tax cuts, should we be looking at something different than corporate income taxes 25% below the US?

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Ms Webb: Ontario is working very hard to stay competitive, and so I think that the corporate income tax initiative certainly sends a clear signal south of the border that we are a competitive jurisdiction.

I mentioned the profit-insensitives, because they seem to have a very visible impact on potential investors in Ontario, and I'm thinking of things like the capital tax, but also the corporate minimum tax. Now, the corporate minimum tax, for example, is very often just a timing issue, and in fact the net revenues received by the government over several years are not substantially impacted by this tax, and yet it remains a disincentive. So we mentioned the profit-insensitives simply because those stand out as a deterrent, even though Ontario is becoming more competitive on the income tax side.

How we choose to do our mix of taxes is up to us, but I think it's very important to keep an eye on key jurisdictions like Alberta, but also the States. Bush's package clearly indicated that they were moving ahead with tax reform no matter how high the deficit was soaring.

Mr Phillips: But my recollection of the Bush package is that the biggest thing is tax on corporate dividends—

Ms Webb: That's right.

Mr Phillips: —which is, in many respects, on the personal side. So it wasn't on the corporate income tax side; it was on the dividend side.

Ms Webb: But removing the dividends will help corporations in terms of being more easily able to do financing.

The other thing is that this package Bush is proposing to Congress also accelerates all the tax cuts that were going to happen in later years in his prior tax package, and so that means that in fact the personal tax cut and some of the other reforms are being moved into possibly 2003, and that's what he wants, to move them into 2003.

Mr Phillips: You mentioned about—I'm changing the subject completely here for a moment—the auto plants and that concerns remain about gaining new capacity—two scheduled closings but concerns remain about gaining new capacity. Have you any advice for us on what we should be considering there?

Ms Webb: The bank very strongly believes that setting up a low tax regime, particularly when our dollar is still significantly below 70 cents, is the best route that Ontario can go, and that if you go with something like tax incentive enterprise zones, you risk the problem of arbitrary decisions. When you set low tax rates across a level playing field, that allows the market to decide which industries are interested in investing and which industries don't believe they can make a go of it. It's that type of market decision that usually creates the most sustainable growth.

So yes, I think that going forward in the NAFTA environment, Ontario faces competition not just from the southern states, in this case with auto assembly, but also from Mexico. Mexico's lower labour costs are a significant factor for Ontario to face in the future, and that means we have to continually keep our eye on value-added and leading-edge products. That's where the auto parts example is so interesting. That particular industry has continued to focus on increasing its value-added, and as a result it continues to gain share. In fact, it paced Mexico's growth last year, and its percentage of each North American vehicle continues to rise.

So when we look at the automotive sector, we look at existing assembly plants that have proven their competitiveness and an auto parts industry that continues to prove that it's very productive.

Mr Phillips: One of the directors at Magna suggested that the assembly plants may require some special effort. You don't think that that's required?

Ms Webb: "Special effort" can cover such a broad range of possible incentives, as you know. One of the things has been training. I would say that training is something this province needs to work with, that in a knowledge-based economy, particularly in Ontario's, where so much of our potential growth is related to applying new technology to existing industry, training stands out. So it depends which special effort you're going to put.

Mr Phillips: I noticed on page 4, your debt servicing burden, that it looks like Ontario has the highest debt

servicing burden of—at least, the other provinces are lower, and obviously Alberta dramatically lower. What would be causing that?

Ms Webb: The problem is that Ontario's debt servicing burden hasn't fallen that much: by about \$500 million, from \$9.5 billion down to about \$9 billion for this fiscal year and next. I think the numbers are going to come in a little bit less with the very low interest rates that we're expecting, but nevertheless, that's leaving Ontario in the middle of the pack, and it is leaving us above the provincial average. We're about two cents above the 12-cent provincial average. So that "Other Provinces" line reflects a province such as BC, and the Atlantic provinces certainly have heavier debt service burdens than we do. But, yes, it is sending a signal. Ontario could keep up with Alberta in terms of tax reduction when our growth was over 5% in that 1997-2000 period. It becomes much more difficult for us to do that when we're looking at growth in the 3% range. That's really one of the messages of the first graph in this report. When you look at it, there was our stellar growth in the latter half of the 1990s. Then we're looking at very solid growth, in the 3% range now. As I say, that's healthy growth, but it's not the robust experience we had.

Mr Phillips: Just in terms of an overview for us, I'm trying to capture your sense of the next one to two years ahead. Other economists have been saying, "We've downgraded their outlook a little bit. There are storm clouds on the horizon." Are there significant risks going forward? Is it just normal risk? There's always risk going forward. I'm just trying to get a sense of how much caution you would be encouraging us to exhibit here.

Ms Webb: I think significant caution. When you look historically over the past five or six years, for example, I think the risks right now are quite high. Of particular concern is what happens to energy prices, oil and natural gas, should the US go ahead with the conflict in Iraq. That impacts us two ways. We're so tightly tied to the US, and they obviously do see slower growth whenever oil prices increase because they are not a major oil producer. So we are automatically impacted, and it takes out of household pocketbooks, but it also really hurts producers, because in the current environment producers have a really tough time passing on input costs. The other problem is that we are concerned about the whole spluttering of the global economy, and that again impacts Ontario because we are so export-intensive.

We have, I think, quite an optimistic base case. In fact, our optimistic base case, though, is below our other competitors. I'm sure over the past day you have heard forecasts for 2003 that are significantly above 3% for the province and are not 2.75%, the way ours is.

I'd just say, build in a scenario that is 2% to 3% as a low-case scenario just in case we see things unfolding unfavourably. Even if we do avoid a potential conflict in Iraq, the uncertainty right now is really playing havoc with the financial markets.

Mr Phillips: I don't recall your mentioning electricity in your remarks. Maybe you did; I just don't remember.

Ms Webb: No, I didn't.

Mr Phillips: Has the bank taken a look at all at the state of the electricity market here in Ontario and what, if any, implications that has for our finances and our economy?

Ms Webb: The short answer is no, we haven't. It has not been something I have looked at, and I look after the provincial and regional forecasts. So the short answer is no, I can't, but it certainly plays in as a very important input cost.

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Mr Christopherson: Thank you, Mary. It's good to see you again. You mentioned just a few minutes ago, and I just want to pick up on it, about Mexico, the labour costs and competition. It's interesting to note that Canada—and I assume the US too, but certainly Canada—I know first hand over the last couple of decades lost jobs to northern Mexico. I don't know the exact name of the zone—

Ms Webb: Maquiladora?

Mr Christopherson: That's it, yes—and to use Perot's term, that sort of sucked up a lot of the jobs. But now I'm seeing that the latest thing is that the workers in southern Mexico are now willing to work for even less money than the northern Mexican workers and a lot of the jobs are now being relocated or their destination is southern Mexico as opposed to northern Mexico. Then of course we now add China to that, which is playing on the world stage in a huge way. In fact, almost overnight, suddenly they're there and their exports and imports into North America are huge. It's putting both a deflationary pressure on prices and also it's taking jobs out of North America because we can't compete, particularly at the labour cost level.

So it's northern Mexico; then they're outbid by the southern Mexicans. Then we've got the Chinese, and at some point the Taiwanese and a few others are going to have to try and respond to what the Chinese are doing. My question is, in an economy and a society like ours, how do we win that game? I would argue we can't, but how on earth—you made the comment, and I'm not jumping the issue, but you did make the comment that we've got to keep an eye on labour costs, and fair enough. When you're in a competitive environment, you do. But it just seems to me that when you string it out, at the end of the day, unless Canadian workers somewhere are prepared to undercut the northern Mexican workers, the southern Mexican workers, the Chinese workers, the Taiwanese workers and anywhere else where exploitation can take hold, we're not going to win that game. It seems to me we ought not try. How do we break out of that?

Ms Webb: I agree with you: we ought not try. We can't let our labour costs get out of line, particularly with the States. In the past, when you look at our labour costs, our wage costs, they have been higher than the States, but then when you factored in the depreciating dollar, we came onside quickly with a decline in unit labour costs that was greater than the decline for the Americans. But if we can't rely on a depreciating dollar, then we have to

rely on increased productivity, and therein lies the answer to your question. We don't want to give up our standard of living, our public health system and all the things we have in Canada, and therefore we have to stay on the leading edge and have high-valued goods that the others can't replicate or are going to be in a race to replicate. That puts an incredible challenge to our province.

What's particularly interesting is that innovation policy is very difficult to craft. So I recommend to the province that we focus particularly on the concrete aspects of innovation policy: getting low tax rates; making sure that our tax administration, but also other aspects of regulation, are streamlined; taking advantage of training programs and keeping our labour force, because when we look at employment, almost all the employment in recent years has been people with post-secondary education, so we have to look on a net basis at training; and leveraging federal money as far as we can to accomplish those objectives. Spurring innovation and the commercialization of innovation is always a very nebulous process, so we want to make sure we get the concrete aspects and environment correct and then work on the nebulous.

Mr Christopherson: When you talk about tax cuts being a component of that, to me there's a bit of a relationship, at least a theoretical relationship, between not wanting to try to compete with Third World countries in terms of our labour rates but also in terms of tax cuts, because the taxes, the revenue that we all put into our government, is exactly where they get the money to provide the health care system and the education system and all the things that give us the competitive edge, if you will, in terms of value added. If we want a world-class education system, then we're going to have to pay for world-class teachers and world-class administrators. The same thing on the health care front, with not just our brain surgeons but all the nurses and the support staff and the ambulance drivers—the whole system. We want safe streets. Well, then, we've got to pay our police officers and firefighters a decent amount and make sure they've got proper training and equipment. All of those things are also directly related to the amount of tax.

It seems to me we've got both of these pressures working on us, that everybody's saying our labour costs are getting out of whack and they're becoming uncompetitive so we've got to push them down and push them down. I would argue that this government has had a decided program and policy to do everything they can to keep overall labour costs down, to suppress them and push them downward at the same time that we're decreasing tax revenue, when it's the tax revenue, again, that gives us the ability to pool our resources and create the kind of society we have that gives us the standard of living that we have. I don't quite see how you make them connect when they seem so disconnected.

Ms Webb: I think in fact that there is a disconnect reflecting the tough fiscal trade-offs that have to be made. First of all, there are some tax measures that could generate revenue, particularly in the mid-term. The one

that keeps coming up again and again is the capital tax, and several accounting firms have done very interesting studies saying, "Just a minute. For every dollar of revenue, this is costing the economy \$7 and therefore this is a very unproductive tax." That does stand out as a tax that discourages non-financial companies from investing. It also discourages financial institutions such as Scotiabank from building up reserves to make sure that we remain a very safe institution for everyone's savings.

So there are tax reforms. I think that when we're looking at Ontario's total tax presence, we have to keep focusing on low-price-tag reforms. Some of the corporate tax disincentives would have a very low cost to eliminate and therefore they should be considered, such as the corporate minimum tax.

But overall, you're right. We can't proceed full steam ahead on tax cuts when we have such massive spending pressures. I would argue that infrastructure is another huge spending pressure. We have major catch-up to do here, and we've got to do it because that's going to choke off our growth as fast as anything else.

We had smart growth introduced; I think we have to have smart spending. Our health budget is 40% of our program spending. In terms of current expenditures or the operating budget, as the Premier indicates, it's 47%. We've got to go back and restructure that and do things differently. Not only do we need more money in the system but we have to do things differently or it's going to collapse under its own weight. We can't afford health care by 2010 to be 50% or 55% of our budget. It's becoming more and more difficult to squeeze the other program areas that are outside of health and infrastructure and education.

And I couldn't agree with you more on education. That's another priority area where we have to be very smart. When I said that the fiscal challenges are far from over, they're far from over. We constantly have to be reassessing existing programs and eliminating the less efficient existing programs to make room for some new initiatives that we think would have more value added.

Mr Christopherson: To change the subject a bit, consumer debt is at frightening levels. It would seem to me that it wouldn't take too much to trigger a bit of a crisis there. If all of a sudden there's a whole lot of people who can't afford to either re-mortgage down the road—I remember what happened in the early 1980s. I had friends who just walked away from their homes because they couldn't refinance, and you'll recall the double-digit interest rates at the time. I want to link that. I know I'm probably getting close to time here, but I've asked this of a couple of others and nobody seems to agree. Who am I to know any better? I'm not an expert on this. But it just seems to me that we've got what could be defined as a growing bubble in the area of housing, with Britain leading the way. But if it turned into a bubble and it burst, and we got into this bind with consumer debt—people lost jobs, interest rates started to go up—am I worrying about things I shouldn't be here, or are these things interrelated?

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Ms Webb: No, I don't think you're worrying unnecessarily at all. The consumer debt burden is high. It's not, in either Ontario or Canada, as high as in the States, although regionally we have trouble accurately measuring it, just because of some data developments. Nevertheless, when you look at the debt service burden relative to after-tax household income, it is starting to approach previous cyclical peaks, even with really low interest rates. Eventually we will see higher interest rates because they're so very, very low now.

So what do households do? Well, the whole thing hangs together as long as we have positive employment growth and moderate wage increases. That's what we've built into this base case forecast, although we've had such a surge in employment over the past year that I think we are going to see a couple of quarters of maybe disappointing job creation before it picks up again in 2004. That's the good-news scenario. That's how we blow through. But that's one reason why our Canadian forecast and our provincial forecast are lower than some of our competitors': we're only building in 2.5% growth in consumer spending. We think the combination of the debt load and the hits that people have taken on their savings because of the equity market slide will cause people to just be slightly more cautious. We won't have exuberant spending.

The same thing with the housing market: that's why we have housing starts falling off. We've seen the cyclical peak, in my view, in housing starts. We've probably seen close to the cyclical peak in home sales. I've built in 2% in housing increases, just based on how high prices are right now, for 2003 and a small decline in 2004. That decline could be greater, but the market information I'm getting is that the speculative component in things like the condo market is not that great. Much of it is people who intend to live in those units. As long as that's true, then probably we could see a modest fall-back in prices but not a huge fall-back, and that's partly because we still have such strong population growth here in the Golden Horseshoe.

Mr Christopherson: The prospect of war, in terms of the borders: Minister Runciman said that he had been advised by senior American officials that if war broke out, the first thing that would happen is that the Canada-US border would shut down or virtually shut down. Can you just give us a sense of what the immediate impact will be and how long we can go until we trigger into a crisis?

Ms Webb: That would be—a complete shutdown?

Mr Christopherson: I imagine that could be maybe in the early hours, but let's just say even if it went to the backups we had during the September 11.

Ms Webb: There would be a lot of impact across every industry. Over 90% of our exports are south of the border and over 90% go by road and rail. So would that be a sustainable situation for Ontario? No.

Mr Christopherson: How long could the American economy go without benefit of our imports to them?

Ms Webb: I think what you'd see is a border tightening. How long could the American—the first thing that would happen is, what are you doing with all the oil, gas and electricity that we're transporting south of the border? Are you shutting off those as well? Because that's probably the first weak spot that would emerge. We are shipping huge amounts of energy south of the border.

I think the comment, though, is well taken. We're moving toward moving low-risk goods, but we probably haven't moved as fast, or we need to move to further improvement. So after the initial crisis, I would hope that low-risk shipments, for example, having sealed rail containers and that type of thing, would go back. But no, our production system is very closely integrated with the States'. It goes far beyond the export number, into all the integrated production, all the foreign affiliates that work up here. We can't even measure it any more. So closing the border for both sides certainly brings home the importance of a secure North American perimeter.

The Chair: Thank you, Mr Christopherson. We move to the government side.

Mr Marcel Beaubien (Lambton-Kent-Middlesex): Thank you very much for your presentation this morning, Ms Webb. I thought it was quite impressive and very well balanced. However, my first question deals with a personal point of interest that you brought up in your presentation, when you were talking about the recurring bouts of financial market volatility. On the second page you mention a few areas—North Korea and Venezuela—but you mention ongoing clashes in Africa. I haven't heard too many people mention Africa, because usually nobody really cares about Africa. That's why I'm asking you, why did you mention Africa? Like I said, I do have a personal interest so I'm very interested.

Ms Webb: Africa has stayed on our radar screen for several reasons. One is, as you mentioned, the extreme poverty and the droughts and the famine and the political unrest that that has created. So that is one concern of ours. The second concern is that in Africa we were also thinking of the Middle East and the whole area there, which has never ceased to be a concern of ours. So that's what we're referring to. And there is the continuing concern about the terrorist groups that have apparently—places in Africa, as well as the Middle East, Europe and around the world. That was what was in our minds when we wrote it.

Mr Beaubien: The next question: we've heard in the past day and a half that the economy, both in Canada and the States, in the past few years has been driven by consumer spending—

Ms Webb: Yes.

Mr Beaubien: —and that there hasn't been an awful lot of capital investment in machinery and equipment by companies. But if we look at the States, they have 0% financing for automobile purchasing. They have low mortgage rate financing, just like we have here. Yet the economy in Canada and Ontario, especially Ontario, seems to be a little more buoyant and seems to be

performing better than it is south of the border. What is not clicking? Why do we have a difference?

Ms Webb: A couple of reasons. First of all, we do have a smaller high-tech sector. When that sector imploded, while we were certainly affected, we were less affected proportionately than the States.

The second thing is that we also have more pent-up demand. The US consumer has been on a spending spree far longer than the Ontario consumer or the Canadian consumer. So we have, for example, an older-age vehicle fleet. One statistic that still never ceases to amaze me is that when you look at the vehicle fleet south of the border, it's slightly larger than the number of people who are of the driving-age population. So essentially there is an average of one car per driver.

Interjection.

Ms Webb: Yes, an average of more than two cars per family, which means there have got to be a lot of families down there that have three cars. In Canada, we don't have that. Our vehicle fleet is a fraction of our driving-age population, so we haven't seen the pent-up demand. We're in housing expansion cycle as well because of that pent-up demand that is far stronger than what they're seeing south of the border. That's partly because our rental markets were so very tight that they've pushed up rents and it became more affordable in centres such as Toronto, but our other major centres in Canada as well, to buy a home rather than rent a home. So, fortunately, we have this pent-up demand.

Another very positive aspect is that we have our energy sector in Canada. While Ontario is not per se a huge energy exporter, we benefit hugely from things like the oil sands investments. Much of the steel, some of the metal fabricating and some of the machinery that's being invested in northern Alberta is very definitely coming from Ontario. So the energy sector is also setting us apart. Looking forward over the next two to three years, that is in fact one of Canada's trump cards. The importance to the US of having a secure energy source is very important. We're that source to the north and Mexico is that source to the south.

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Mr Beaubien: Talking about the pent-up demand, if we look at low interest, whether you're buying a condominium or a house—in the States, the consumer spending, apparently 40%, the figure I'm given, comes from refinancing your house or your condo or whatever.

I used to have a saying when I was younger that I liked to hold as opposed to own. Now it's the converse of that, because I'm a couple of years older. I'd rather own than hold. Especially with the aging demographics in population that we have, I find it interesting that we have an increased level of consumer debt with an aging population. It doesn't seem to be compatible. What's your comment on that?

Ms Webb: It has certainly been a source of interest and possibly concern to us as well. You're right: the refinancing has been huge. Unfortunately, we can't get as accurate data for Canada. So I think it's playing into a lot

of the news reports and survey results that indicate that many of the baby boom generation don't look for early retirement because their debt load is so high and their retirement savings are less.

We're still looking for the retirement of the baby boom generation to pick up some momentum at the end of this decade and after that. If we're right, that means it becomes increasingly important for us to pay down as much as possible not just the government debt, but we have three other debts. We also have our commitment to CPP and QPP and our health care commitment. So getting our liabilities in order before the baby boom generation retires is hugely important, particularly if that retiring age group is more indebted than we would have otherwise expected.

Mr Beaubien: I have to share my time with my colleague. Thank you very much.

Mr O'Toole: Thank you very much, Ms Webb, each year. I'm going to make a couple of comments and then focus on one area.

The fiscal challenge, as you say, is far from over. It never is over really, I suppose. It's changing circumstances. Demand always exceeds supply, I suppose, of money.

Ms Webb: In this case, I think it's more severe. You're right: wish lists are always greater than pocket-books.

Mr O'Toole: I wish GO Transit actually went right to my door.

Ms Webb: Yes, exactly.

Mr O'Toole: I have to have a car to get to GO Transit. Then it's too far to walk, and the parking should be free. The demands are enormous.

I put it this way, though. You're the economist and I'm just a citizen. I think it's sort of like the chicken and the egg. This is an overly simplified model, but we have to deal with who I am. Basically, which came first, the good quality of life or the good economy? Without the good economy, you're living in Argentina or Afghanistan. What's missing there is a monetary and judicial system, some stability, some kind of investment confidence. Is it too overly simplified that you have to have the strong economy to have the good health care, to have the good education, to have the good universities, double cohort, free tuition, whatever?

Ms Webb: It's not an oversimplification. We do have to have the economic growth and the job creation in order to finance the programs we have. I think the fiscal trade-offs are tougher now than they were, say, several years ago, because the revenue growth is half of what it was.

Mr O'Toole: That's what I want to focus on. Your chart on page 4 shows own-source revenue in Ontario. Other provinces are kind of a flat line on that chart; Ontario's drops off dramatically. It's going into the tank. It's below other provinces. It's diving below Alberta. Am I reading that correctly?

Ms Webb: Well, it's interesting. I will double-check that chart.

Mr O'Toole: Isn't that amazing? It's just completely tanking. Yet we're told by the—I was looking for it. I don't know where. Perhaps Mr Phillips was suggesting that they were cadging or jiggling the numbers, meaning under-forecasting or conservatively forecasting. Because of the robust employment, our expenditure will be down on the social assistance side, but it will be up on personal income tax, corporate income tax, all the consumer-driven PST, GST, whatever. It's going to be through the roof. In fact, the feds are going to be \$2 billion higher than the forecasting. They're forecasting conservatively as well. I find it a real strange anomaly with that number.

Ms Webb: I will check that graph, but are Ontario's revenues slower? Yes.

Mr O'Toole: Obviously I'm not—

Ms Webb: Is our revenue growth slower to pick up?

Mr O'Toole: I would agree with you. I'm not in a position to question you because you're an economist and I'm not. I would wonder if that's true, because really, when we didn't sell the 49% of Hydro One, that's about \$2 billion that some would suggest we were going to use to balance the books. Now you're saying it's even worse. How are we going to make up that \$2 billion? If the revenues are as bad as you say here, we're in serious trouble.

Ms Webb: But don't forget, this is a percentage of GDP.

Mr O'Toole: I know it's a percentage of GDP.

Ms Webb: Yes, I will check the graph.

Mr O'Toole: But this is still measuring the growth in the economy.

Ms Webb: Right, but beyond that, you're absolutely right, you can't afford 5% increases in program spending unless you have increased federal transfers and—

Mr O'Toole: Five per cent increase in GDP.

Ms Webb: Yes, so therein lies the concern: that you have to keep making these trade-offs or it's not going to hold together.

Mr O'Toole: Someone else mentioned the debt servicing thing. Michael Gourley handled that question yesterday and said that they're making significant changes in long-term debt, getting at lower money. They saved—I think \$700 million was the number they used in terms of restructuring the debt. So I don't know if that chart is any good, either.

The other one is interesting—

Ms Webb: No, that chart is fine. That one I know is absolutely fine. There is no question Ontario's—

Mr O'Toole: Yes, it's too bad we're above other provinces.

Ms Webb: You're above a number of other provinces. Don't forget, the average of other provinces is an average. So the Atlantic provinces are above Ontario and—

Mr O'Toole: Alberta is below and BC below.

Ms Webb: Alberta is below, BC is below, Saskatchewan is below. But there's no question: our debt service has stalled at \$9 billion—

Mr O'Toole: We aren't coming down as quickly as we could.

Ms Webb: That's right, and it's not coming down—

Mr O'Toole: Even though we're restructuring some of that debt.

The last thing I want is your comment on interest rates. You've made some interesting projections that are almost a contradiction. Of course, they're explainable. One is that with the risk with war etc, interest rates could become very volatile. Then you say that the Bank of Canada has served notice that it intends to resume raising interest rates.

Ms Webb: Once the global uncertainty is over.

Mr O'Toole: That's right. Once we go back to tax and spend—

Ms Webb: I don't think it's a case of going back to tax and spend. Canada has a situation where we have a number of domestic price pressures such as auto insurance. Therefore, when you look at our Canadian inflation there are trends such as the 2.7% year-over-year increase in the core rate that are of concern and well over the Bank of Canada's midpoint of its target range. The Bank of Canada has moved to the sidelines and did last week and did not put in a rate increase because of the global uncertainty. So the statement in our report is, once those clouds of uncertainty move off, the Bank of Canada has said, "We're concerned about high inflation and we may take some of the excessive ease out."

The other thing is that we have the Bank of Canada rate and the overnight rate, which are administered, and the prime rate, but then we also have the interest rates that are determined by the market. I'm thinking of not only government bonds but corporate bonds. In an environment of uncertainty, corporate bond spreads above government bonds tend to widen significantly. So we could have quite a volatile several months as the possibility of a conflict in Iraq persists.

The Chair: Thank you, Ms Webb. We appreciate your input.

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CANADIAN AUTO WORKERS

The Chair: Our next presenters are representatives from the Canadian Auto Workers: Mr Hargrove, Mr Stanford. Welcome, gentlemen.

Mr Buzz Hargrove: Thank you very much, Mr Chair and members of the committee. We're pleased to be here one more time. Jim Stanford, who is an economist who works with our union, will have a presentation when I finish. I'm just going to make a few opening comments and he'll give you some more detail.

The first point I'd like to make is that we're going to talk mainly about the auto industry, but I do want to talk about the aerospace industry as well. A lot has changed since we were here a year ago on the auto industry. I think there's a much greater understanding by all parties in Ontario and the broader public about the crisis the industry is facing. That's come about I think in large part

by a campaign we initiated as a union, that Mr Flaherty followed up on with a round table and then worked with Mr Rock to set up what we call CAPC, the Canadian Automotive Partnership Council, which includes all of the stakeholders: the five major producers in Ontario and Canada as well as the parts makers, the dealers, the suppliers. They're all represented. Academia is represented as well as the federal government in the person of Mr Rock and his people and the provinces of Ontario and Quebec. Mr Flaherty and Mr Rock have attended all of our meetings to date.

I start by saying that we recognize and encourage the government to deal with the broader issues that we face as a province: the increased funding we need for education, for health care, for our universities and colleges. There are major challenges with our water, our sewers and all of that. We understand it takes money to do that, and we see that, as most Ontarians do, as a priority. But we approach it a little bit differently, I guess, in the sense that our position is that if you don't have major industries like auto and aerospace and others, then you're going to have a hard time coming up with the funds to do what we have to do in the other areas.

We still have two major assembly plants that are scheduled to close: one in Windsor in July of this year, the Chrysler plant, and then a Ford facility in July of next year in Oakville. During our bargaining last fall we were able to extract major commitments out of the companies, a total of about \$7 billion in investment, but it was conditional on a number of things. First, it was conditional on our union doing some things, some major changes, and we have done that.

One example of that is the Chrysler decision, which will come up first. Within the next couple of weeks there will be a decision made as to whether or not they're going to do that in Canada or in the southern United States or possibly even Mexico. On our part, we agreed for the first time in the history of the industry in North America that we would have an assembly operation that had one of the major assemblers as part owners of the building and the work. We're going to have an assembly plant, if we get it, that will have DaimlerChrysler as a lead player owning the trim shop and then you'll have parts companies that will own the metal shop, the paint shop, the chassis shop and the final car division. So you could end up with anywhere from three to five owners within the same building assembling a vehicle. There are a couple of examples of this around the world. One is in France with the DaimlerChrysler Smart car and there's another example in Brazil, but this is unique. It has faced incredible resistance from a whole lot of groups. Our own union historically, the UAW in the United States, the Mexican unions, but also the suppliers and others have resisted this kind of structure because it puts a lot more cost on them in terms of research, development and infrastructure than they have traditionally been used to.

But we have come a long way. In addition to that, we agreed to a new rate for people hired for the new project that would be 75% of our current rates, our wages and

our other programs and would gradually, over a three-year period, get to the top rate. Chrysler estimated that would save them about \$70 million.

My point in raising this is we have done a lot of things to make sure that we do what we can to attract investment. We got the commitment, if the government and the suppliers join, to make this an economic success story. Then DaimlerChrysler will move ahead with this operation in Windsor, which will launch production in the latter part of 2005. It's very significant. It'll have 1,500 direct jobs within the assembly operations and it'll have another 1,000 to 1,500 jobs in a parts supplier park around the facility. Again, a first for this industry in Canada.

In addition to that, Ford in our bargaining agreed to a major new refurbishing of their facility of this year. In August of this year they're going to launch a brand-new minivan which will require some additional hiring this year. As we go into 2004 it will mean the addition of another shift and a transfer, as they close the old plant, of 900 people from the truck plant to the new plant and require a massive amount of training for people to do the work in this new facility.

This new facility, as well, has some unique characteristics to it. It will have a parts supplier park in the area and it will be environmentally friendly. For the first time, we're using fuel cells to actually run the manufacturing part of the operation, which will be a big improvement in the emissions that go into the environment as a result of the manufacturing as opposed to the emissions from the vehicles that are built later.

So it is a unique opportunity, but the most unique part of it is long-term. Ford has agreed to a massive new investment at that facility that will guarantee about 4,000 jobs over the next decade, if they can get the right dynamics. Again, our union has made major changes in our agreements. The suppliers have to come on board and the government has to be a partner in this.

There's a couple of other projects I want to identify that are floating around. Magna is looking at a major new project for Ontario and Canada, if they get the right dynamics. It's going to mean that the government has to be proactive.

More recently, Mitsubishi and Toyota are both talking about assembly plants somewhere in North America, and their decision will require proactive government if we're going to have a chance to get those in Ontario and in Canada.

So the industry's changing. What are we suggesting? All I know is that we've got the best quality in our facilities here. When you're looking in North America, there's no one who can touch our facilities in terms of quality. Out of over 40 assembly plants studied, the Harbour Report, which is the recognized expert in this field, had our General Motors plant in Oshawa number one, ahead of the Japanese, ahead of all others in North America. By the same standards, in Oshawa our plants were 38% more productive than General Motors assembly plants in the United States, and that's a phenomenal difference.

Anyone who's been in business will tell you that any time you're 38% more productive than your other operations or your competitors, you've got one hell of an advantage. That's the kind of operations we have. We're the only industry in the world that has assembly plants three-shifted and making it work, and work properly.

So we have the quality, the productivity. We have the utilization of the vehicles. We have lower labour costs. But we're losing all the new investments to the southern United States, and yes, in some cases even the northern States are putting up a lot of money to attract the investment. Mexico as well is putting a lot of money on the table in spite of the fact that their labour costs are probably 25% of what they would be in Canada, and even less than that versus the United States. They're still putting money on the table to attract these new investments.

The latest one was the Sprinter, which went to Georgia. Georgia put up US\$325 million in a combination of ways—training funds, new technology, infrastructure, out-and-out grants to the DaimlerChrysler Corp—to put that plant there. The governor bragged about a major victory that would see a payback after 10 years. In all of our analysis in Canada, the government investments of the past have been paid back in anywhere from one and a half to four years. There's been a long history of government investment in this industry and in a lot of other industries, but in particular auto because of its importance to jobs, to our exports, to the financing of government, whatever way you look at it; and it goes back a long way.

We have a world-class engine plant in the city of Windsor called the Essex Engine Plant that's a benchmark for producing engines around the world: the best in quality, best in productivity, best in cost. If it hadn't been for the Bill Davis government putting \$28 million into that back in the mid- to late 1970s, and leveraging \$40 million from the federal government—by doing that, he took the lead—that plant wouldn't be there today; it would be somewhere in Cleveland, Ohio, or somewhere else where Ford has its engine operations. There's been a whole history of that. The Brampton assembly plant—the same Tory government put money into that. Every major investment in this industry has had government support.

So where are we at today? There's a lot of potential, a lot of upside for the province of Ontario, but it's going to take a realization that the rules have changed. Everyone else has come to that conclusion. I raise this because I'm really concerned. I watched with interest when Dalton McGuinty made a speech in Windsor. I thought the speech was a little short in terms of any kind of detail or specifics about what they were prepared to do, if elected, for the industry, but a strong statement about the importance of a proactive government needed to get the investment. Mr Flaherty immediately responded by saying that he's talking about corporate welfare, which is way off the mark, Mr Chairman and committee members.

This isn't corporate welfare; it's about how we ensure that we get our fair share of the major new investments

that are taking place in one of the most critical industries anywhere in the world. If we take that attitude, if we just do what we did on the Sprinter and say, "We've got the best quality, the best productivity, lowest labour costs; you should come here," they'll all nod their heads and say, "Thank you very much." As Jim Miller, representing Toyota, said this morning when we were meeting with Elinor Caplan, "We're nice people. We like Canada, but that ain't going to get us here, Minister." That's the stark reality. Whether we like it or not is another question, but that's where the industry is heading and it does need a proactive government and government response. And it pays back tenfold to what we put in.

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Let me just conclude, or maybe I'll have Jim go through the auto stuff first so I won't confuse it. I would like to make a short statement on the aerospace industry and then we can take your questions.

Mr Jim Stanford: Thank you, Buzz. Thank you again, Mr Chair and members, for the opportunity to meet with you. We've passed around three documents that I'll draw to your attention. One is a summary of the slides. I'll go through some of the facts and figures related to the current status of the auto industry.

The other is a more detailed policy paper that CAW recently developed in terms of analyzing the current moment for the auto industry and the challenges ahead of us.

Then the third document to draw to your attention is a report from one of the subcommittees of the Canadian Automotive Partnership Council that Buzz mentioned. This is I think particularly important because this includes a set of policy recommendations affecting the general fiscal environment—so obviously within your mandate as a committee to speak to—that has been supported by the whole range of stakeholders in the industry: by the Big Three manufacturers, by the off-shore-based manufacturers, by the union, by the parts industry, by researchers and analysts, and by mayors of automotive communities. Coming from the whole terrain of the industry, you'll find I think a rather unique consensus on the need for some measures to improve the fiscal competitiveness of new investment in Canada's auto industry, with the resulting benefits for the Ontario economy and for the provincial government's financial situation.

I just want to say that the industry is very much at a turning point right now. If we don't put in place some measures that fundamentally shift the cost comparisons that the automakers are making right now, it's not that our industry is going to shut down overnight, obviously—our industry has had 20 or 30 years of strong success and it's not going to disappear overnight—but it is certainly going to shrink in the medium term. We may continue to receive some important investments to refit existing facilities, but we will not receive greenfield investments, and we will not receive the kind of epochal brownfield redevelopments where a company looks at a long-standing plant and says, "I either have to do

something fundamental with it or I have to shut it down." We will lose three or more of our existing assembly plants, the parts investments that are tied to it, and we will definitely lose our place in the top tier of global automakers. We ranked fourth in 1999 in the world in terms of auto production. We're already down to seventh. We will be out of the top 10 within five years unless we fundamentally reshape those investment decisions, and we'll lose all the fiscal benefits that go with it.

I'd like to quickly cover today three myths about our current system and our current position and three themes about what I think governments, provincially and federally, need to do in order to put us back on the investment map. Let me address the three myths in turn.

First of all, there's the idea out there—I think it's less powerful, less convincing than it was a year ago when we first started this discussion—that there is no problem, that the Canadian industry is doing very well, thank you, and what's all the fuss about? I think this reflects a bit of a defensive perspective on the part of governments that have been doing a certain thing for a certain number of years and haven't figured out yet that that policy approach isn't working. There is a lot of evidence to suggest that Canada's industry has peaked, that we are well into a significant downturn that's not cyclical; it's structural. We risk giving back many of the gains that we made in the industry during the 1990s, and those gains were incredibly important to the fiscal progress that was made in Ontario at that same time.

This shows the pattern of new vehicle assembly in Canada. Again, virtually all of that now is based in Ontario. We peaked in 1999, assembling over three million new vehicles. That has declined to about 2.5 million and it's going to decline further in the next two or three years, partly for cyclical reasons. Everybody expects US auto sales to decline since, as the previous speaker was testifying, US sales have been very strong and there are only so many vehicles that can be bought there, let alone the risk of an interest rate shock or an oil price or the uncertainty with the war. Couple that with the structural factors—we're still looking at the coming closure of two assembly plants in Canada—and that will take out some of our production. We're looking at sliding down toward the level of about 2.2 million vehicles. So we're in the middle of a decline, and it's a protracted decline.

In terms of our share of the North American marketplace, the evidence is clear that Canada has lost up to one fifth of its share. In 1999, at peak, we supplied almost 16% of all the new vehicles that were bought in the integrated North American marketplace. That's down to 13%, and then it's going to decline further as our assembly declines. So it's not just that the overall market is shrinking—in fact, the level of sales in North America has been quite strong—but Canada's share of that market is shrinking, and that should be a great cause for concern.

Another way of looking at the downturn is in what's often referred to as the assembly-to-sales ratio. This is the number of vehicles that we assemble in Canada relative to the number of vehicles that we buy in Canada.

This ratio has actually been a policy target. The Canada-US Auto Pact, for example, as one of the requirements to gain Auto Pact benefits, set a minimum assembly-to-sales ratio of one. For a company to participate in the Auto Pact and get the tariff-free status, they had to guarantee to assemble one car here for every car that was sold and assemble one truck here for every truck that was sold. As a result, the assembly-to-sales ratio went above one and it climbed during the 1990s.

In 1999, when we peaked and when the World Trade Organization first ruled against the Auto Pact, a lot of people shrugged and said, "So what? We're at over two vehicles assembled for every one sold here. We don't need the Auto Pact any more." We argued at the time that investment decisions can change very quickly and your industry can change very quickly, and I think that's been ratified.

Last year, again, the assembly-to-sales ratio fell further. It's now at 1.5 vehicles assembled for every vehicle sold, and that's going to decline further unless we start winning back a stronger share of the new investments that are being made.

There is no auto jurisdiction on the continent that has been harder hit by this downturn than Canada. This is why it's not just an issue of the overall continental marketplace trends; it's an issue of Canada being squeezed out of that market. Our assembly has declined by 15% since its peak in 1999. That's twice as large as the decline in assembly in US plants at the same time. And then of course Mexico's output has been growing by leaps and bounds. That's looking backwards at what's happened.

Looking forward, it doesn't look any better either. This is Ward's Automotive forecast of the coming changes in capacity shares between the three countries in North America. Mexico is going to add capacity. In the US, it's roughly a wash. They're getting the new assembly plants in the Deep South of the US, offset for the most part by plant closures and capacity reductions in the traditional areas. Canada so far is just on the losing end of the stick. We're looking at significant reductions in capacity with those plant closures that I mentioned and they're not being offset by attracting new greenfield investments coming with it.

In terms of the decline in assembly, the current downturn in the industry is the worst in a generation. Only in 1981-82 did we see a larger proportional decline in our assembly output. A couple of points to keep in mind there are—that was a demand or cyclical crisis rather than a structural one. That was during the 1981-82 recession, of course, and the deep downturn in continental sales, whereas our decline presently has occurred even though sales have been at record levels.

Another important factor was that government responded to that decline in 1981-82 with very quick, very forceful, very creative measures to protect the Canadian industry, ranging from Ed Lumley holding up the ships that were bringing in Japanese imports off the west coast for a whole range of inspections, to government bailouts

of corporations like Chrysler, to proactive measures using duty remission and tax exemption and others to get new investment. So far we haven't seen that kind of response. I think we're getting there. We've done some education work with governments at all levels to highlight the importance of the industry and the vulnerability the industry faces, but so far government has not taken the measures that need to happen.

A second myth that's out there is the argument that we're past the time in Canada where government is going to try to "pick winners" by providing targeted assistance and incentives to particular industries in order to attract investment. It fits in with the whole idea of free trade, deregulation and smaller government. "We'll get the playing field right and then we'll let business do the rest."

First of all, I think that's a short-sighted approach that fails to recognize the strategic benefits that come from particular "winning" industries. I don't think anyone around this table would disagree that auto is a winner and that we need to support it because of its economic and fiscal benefits. But secondly, it contradicts the current practice that is out there. In fact, there is a range of industries that receive targeted, proactive government assistance to promote investment and development in various forms: the research and development tax credit from the federal and provincial governments; the Technology Partnerships Canada program; even targeted changes to patent laws, like our drug patent laws; targeted subsidies on the capital market side of things, such as a capital gains exemption and other measures which act through the capital markets to try and deliver cheaper capital to particular industries. All kinds of industries get benefits from targeted government measures.

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The problem from our perspective is that the definition and the criteria by which an industry qualifies are biased by an idea that you're only worthwhile for government support if your people wear lab coats and work in scientific research centres; that the traditional manufacturing base is a smokestack industry; that we're not there and we don't need to support it. But in fact, the fiscal and economic benefits and the productivity and technology benefits of the smokestack auto industry are quite to the contrary of that stereotype. In terms of the use of capital, for example, the auto industry uses more capital than these other high-tech industries put together: aerospace, computers, electrical equipment and pharmaceuticals. So it's obviously a capital-intensive industry.

On a per-worker basis, it's even more striking. There is no major industry in Canada that uses more capital per employee than the auto assembly sector. Productivity in terms of value added per worker in the industry: again, auto is superior to other industries which have received targeted government assistance, such as aerospace, computers, electrical equipment and pharmaceuticals. The whole idea of the innovation agenda—and everyone has recognized the productivity challenge facing Canada's economy. Of course you want to support industries that

are high-productivity, and none is higher than the auto industry.

In terms of international trade success, again, auto is one of Canada's very few winners in international trade among high-value, capital-intensive, high-technology products. Of course, we're very successful in exporting our oil, our lumber, our energy and our other natural resources. In value-added manufacturing products it's a different story, and much more often than not we are losers in the international markets. Auto is the one glaring exception to that. There was a \$20-billion trade surplus last year. That's one third of Canada's merchandise trade surplus.

In all those criteria, the auto industry is indeed a winner in terms of its benefits for our whole economy, in employment, fiscal capacity, innovation and foreign trade. That's why government has to be there with proactive policies to support that winning industry.

The other myth that's out there, and Buzz addressed it, is the misconception that Canada has a lot of advantages—the quality, the productivity, the lower labour costs—and therefore government doesn't need to come in with proactive measures aimed at the industry to support future investment. This may have been the case at one point. I think in the early 1990s, Canada was probably the cost benchmark in the North American industry, and at that point we were winning a lot of investment without proactive government measures. But that's no longer the case.

What has changed? A number of things have changed in the policy environment. First of all, we've lost the cost benchmark status to Mexico. The Mexican industry, with NAFTA, with the new investments, with the infrastructure improvements, has clearly reached critical mass. If you're going to locate a plant on the pure private costs criteria alone, you'll go to Mexico every time. The US has responded with some very active policy measures, including the subsidies, including trade policies and risks of protectionism, which have brought companies to increase their capacity in the US despite the cost disadvantage they face there. Meanwhile, Canada is coasting on the coattails of the Auto Pact, which is no longer there, and our cost competitiveness in the early 1990s, which is also no longer there.

The evidence is quite clear, even from government studies, that Canada is not competitive as an investment jurisdiction in new auto assembly investments. For example, I'll cite a couple of studies the federal government has completed and which they cite often to support their previous argument that government doesn't have to do anything to attract new investment.

They worked with KPMG on this very large international competitive alternatives study, where they modelled the very specific costs of new investments in a range of industries in seven different countries and many locations within each country. The one they did for the auto industry was that they simulated the cost of auto parts investment and they found that Canada had roughly an 11% average operating cost advantage versus the

United States, which is true. On the other hand, remember that the new investments in the US are going to the Deep South of the US, where operating costs are lower. Relative to that location, we have about a 5% operating cost advantage, and that's on the basis of some assumptions like the 65-cent dollar, which may or may not be reliable ones to put forward. For an auto assembly plant scale of investment, those operating cost advantages for Canada, versus a Deep South location, can be capitalized on a present-value basis to something like US\$100 million. So if you offer a US\$100-million upfront cash subsidy, you'll overwhelm the Canadian operating cost advantage, and as we know, they've been offering far more than that in the US to attract those new plants.

Industry Canada did its own in-house study that came to a very similar conclusion. They found about a 4% operating cost advantage in Canada versus a Deep South location, with the same optimistic assumptions like a 65-cent dollar. In that case, at an auto assembly scale of investment, you'd be looking at present-value savings of about \$60 million. Again, that can be easily overwhelmed by the types of subsidies that are being offered in those locations.

In addition to the cost comparisons, which are no longer in Canada's favour, there are a number of structural issues that are also pushing the investors to look at the US. There's the value of a made-in-America label, not just in terms of consumer acceptance of your product but as insurance against any kind of trade protectionism that companies still are very leery about from the US. So all of the offshore makers tend to think it's very helpful to have a number of plants in the US as insurance against any kind of protectionism. There again you see the influence of active policy on investment location decisions. And of course the uncertainty of the border and the exchange rate and so on: the investments that are going to be made and then have to continue to be made in border infrastructure will help there, but it's still an issue. Meanwhile, the Mexican industry continues to grow by leaps and bounds.

On that basis, the private cost-benefit calculus that companies do will not take them to Canada, and that is absolutely clear. If it's left to the companies alone, they'll go to Mexico on labour cost grounds or to the US South, attracted by subsidies and by the value of a made-in-America label. If we don't put a policy in place that addresses those challenges, there's absolutely no doubt in my mind—and I think this view is now shared by a clear majority of observers of the industry—that Canada's auto industry will enter a period of continuing decline. It won't disappear overnight, but our investment, our employment levels, the economic spinoffs and our rank among global automakers will clearly start to fade.

This shows where new vehicle assembly facilities have been located, those that have been built or announced in North America since 1990. Remember, even though the industry as a whole has excess capacity—we hear a lot about that—they're still adding a lot of new

capacity, and that's the nature of a competitive industry, where some companies are expanding capacity while others are contracting it. Of the 17 plants that have been built or announced since 1990, only one was in Canada, and that was the second Honda plant announced in Ontario, seven went to the US Deep South and six went to Mexico.

Now we have a situation where we can double our score, if you like, with the possibility that DaimlerChrysler is looking at this new investment that Buzz mentioned in Windsor, a greenfield plant that would embody brand new approaches to the relationship between the suppliers and the assemblers. But even that, which is on the table and is tentatively committed to Canada, will not occur unless the policy framework is right. The company has made it clear that, other things being equal, they would prefer to put this plant into Mexico. So unless government is there to add value and ensure that the business case for the investment is compelling, then even that plant won't occur, let alone some of the other potential developments like the Ford Oakville program.

In terms of where we go with a policy framework to try and address those challenges, I'll mention three themes. There has been a lot of debate over subsidies and whether or not government should hand out subsidies. No one is asking the government to write blank cheques to very large, powerful multinational corporations. I think the debate over incentives and subsidies has been a bit misplaced and ends up boiling down to, "What do you mean by the words that are involved?" Particularly with the DaimlerChrysler investment in Windsor and Ford's redevelopment of the Oakville site, we don't have to engage in a backroom bidding war. These are projects that both companies have tentatively committed to Canada, thanks in part to the work that we've tried to do as a union to leverage that investment. All we have to do is make sure the government adds value in one form or another to those projects to make the business case competitive with what they could do elsewhere. There are ways to do that that are quite compatible with government's traditional role in terms of providing the infrastructure, the training, the technology and other assets that need to be there if private companies in the industry and any other industry are going to thrive.

I think there's a range of ways that could happen. What it will take is an attitude by government that's proactive, that's entrepreneurial, that doesn't just sit back and kind of lay out the welcome mat and wait for everything to happen, but where government itself rolls up its sleeves, goes out to the potential investors and says, "How can we make this happen?" in a way that's co-operative but that at times is also tough, that involves some hard-nosed negotiations with those companies. We can do this in ways that do not involve getting into a backroom and writing blank cheques to corporations.

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If we look at our training regime, there are ways in which training programs could be updated, expanded and modernized so that they add more value to this type of

project. In the Deep South of the US, for example, the state training departments have provided very important value to new investment projects by working closely with the companies to deliver skilled workers to the new investments.

The same thing around infrastructure: governments have traditionally provided roads and transportation linkages and utility hookups and so on, but the changing technology of the assembly operations means that our definition of what constitutes infrastructure also has to change. For example, we're seeing this evolving relationship between assemblers and suppliers. Instead of delivering truckloads of parts on a just-in-time basis from a supplier to the assembly line, we may see those parts being delivered on a conveyor belt within an industrial park. What about government's role in setting up the infrastructure of that type of industrial park?

The same thing around technology: federal and provincial governments have long recognized the need for technological innovation in the Canadian economy, but the incentives and programs that have been developed have been too narrowly defined to be of broad use to the auto industry and most of the shop-floor type of innovation and engineering innovation that goes on there. These are areas where we have a well-accepted and well-justified role for government but where the programs, the way we define them and the way we operate them have to be updated and provided with additional resources.

Secondly, this does not have to be seen as a handout or as a drain on the government purse. I think it can quite rightly be seen as an investment by government. We all understand how crucial the future success of auto is to Ontario's economy and how that will determine the fiscal status of the provincial government.

Look at the fiscal benefits that come from a traditional sample-sized assembly plant with 2,500 direct jobs, some other jobs in parts plants and then the spinoff jobs that come with it. The traditional widely accepted estimate is that for every major auto job there are another seven or eight jobs in the regional economy that depend on that. A single plant of that scale, and that's the kind of scale we're looking at with these potential investments, generates \$900 million a year in incomes and close to a quarter-billion dollars a year in income taxes and employment taxes for the federal and provincial levels. A third of that would be provincial. Again, on a present value basis, looking forward, that's a significant amount of money for the provincial government to justify, adding value to those projects up front in order to get more value down the road in terms of tax revenue and so on.

The final point we would add as a union is that it's not just an issue of government being there to add value and provide incentives—and that will be important; we have to allow companies the opportunity and the belief that they're going to make a healthy profit here, or there's no way they'll come—but at the same time, we can also try to impose some responsibility, some accountability, some costs on companies that don't do the right thing, that don't invest here. In other words, use a stick as well as a

carrot. This was always a traditional part of our auto policy with the Auto Pact and the trade measures we took. A lot of that is of course federal, but the provincial government can play a role.

Here's a very telling audiovisual aid to kind of indicate the point. Think of this donkey as the auto industry. I won't say this is any particular motor vehicle here. If it is a motor vehicle, I can assure you it wasn't a union-made motor vehicle. Of course, any farmer knows that to get the donkey to move, you have to have a positive incentive at one end of the vehicle, but in times when the attitude of the vehicle is not sufficiently responsive to that incentive, you need another incentive, a negative one, at the other end of the vehicle.

I think there's a lot that can be done by the provincial government as well as the federal government to say to companies that want to sell their products in Canada—last year was a record year for vehicle sales, and a growing share of that is coming from offshore makers—"Look, Canada was not put here to be a wallet on legs for you to sell your products to. Yes, come and sell your vehicles here, but you have to add value to the economy." And that means imposing costs on companies that do not invest in the industry.

We've floated ideas for how you could do that. There are examples of policies that would be consistent with our trade responsibilities. As long as you're being neutral with respect to the nation of origin of the companies involved, you can provide incentives for investment here and penalties on companies that only market here without investing here, being quite consistent with world trade rules.

To sum up, we think this budget comes at a very critical moment for Ontario's auto industry. There are potentially incredibly valuable investments on the table. The DaimlerChrysler investment in Windsor is the first, but there are others in the wings. Canada has not been on the map for new auto investment for the better part of a decade now. If we don't send a signal with this budget in terms of the resources we allocate and the flexibility we allow our program envelopes to utilize, we are basically telling those companies that Canada and Ontario are not prepared to be in the ball game.

I think this budget will be important. Over the next year we'll find out whether we can confirm the DaimlerChrysler investment and make progress on the other investments. Those would put Canada back on the map. On the other hand, failure to cement those investments and failure to deliver the value that government needs to add would mean more than just losing one particular investment. It would mean showing the world that we had a cutting-edge investment ready to go in Canada, utilizing a business model that would be brand new in North America and that the industry is excited about, but Canadians couldn't figure out how to make it happen. Believe me, that's a black eye that would really damage our industry for the longer term. I think that with the CAPC recommendations and other ideas that have been put forward, there are a lot of ways to do it, and none of

them involves writing blank cheques. All of them involve using government programming in a creative and entrepreneurial way to make sure these investments happen.

I know I've gone on. I'm getting a little hot under the collar with all this, and I thank you for your patience. I'll just let Buzz quickly conclude, and then we'll turn it over to questions.

Mr Hargrove: I just want to conclude by saying our recommendations are consistent with CAPC, which is all the players in the industry that are joining together and recognizing what we do. I met with Mr Eves a couple of weeks ago and talked specifically about some of these projects. I suggested to him that an investment in DaimlerChrysler, even a government ownership portion of that, would be a perfectly legitimate role for government in today's environment. I repeat that here again today.

I just want to make a short comment on the aerospace industry. If you look at aerospace, back in the early 1990s, the de Havilland plant was in big trouble. The Ontario government of Bob Rae at that time made a significant investment in that de Havilland plant, as did the Tory government under Mulroney and Michael Wilson. We went from 1,300 jobs to 5,000 jobs, with massive new investments in technology. A lot of feeder operations developed around that: tool shops and machine shops. It was a major success story. We're now hitting another wall. It's time to take a look at this thing.

One of the problems we face in Ontario, dealing now with Bombardier, which is a Quebec-based manufacturer of airplanes and other issues—I'm talking about aerospace—is that the Quebec government has just announced they're going to put up \$3 billion in loan guarantees for the Regional Jet that's built in Montreal to assure the customers that they will have the money to purchase their products. In Ontario, we've gone from 5,000 jobs in 1995 to now fewer than 3,000 at this facility, and we're on our way down. We're meeting now, with a deadline this weekend. Our contract is not even open, but Bombardier is saying to us that we either find a way to get competitive—and they keep talking about the Ontario government doing absolutely nothing, and I raised this with Mr Eves, as opposed to what Quebec is doing. But they're saying to us, "We're going to move the Global Express," which is 1,200 jobs, out of that facility, which will leave us with just a turboprop in a declining market for turboprops as we look to the future.

The other major aerospace partner we had was the Boeing plant out at the airport strip. We've gone from 3,000 jobs there in 1995 down to fewer than 500 jobs now in that facility. Premier Harris and I went to Seattle and met with the head of Boeing to try to convince them to do something there, but nothing is happening. There doesn't seem to be any kind of policy initiatives from the Ontario government to deal with what are two of the most major and successful industries in terms of productivity, balance of payments, exports, all of that. Just to reinforce what Jim said, with the budget coming down, I

think the Ontario government can show in its budget statements and the actual dollars it puts out there that it is interested in building these two critically high-tech industries for the future.

Thank you very much, Mr Chairman. We've been a bit long, but these are two very critical areas of the economy for Ontario for the future.

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The Chair: That leaves six minutes per caucus. We begin with Mr Christopherson.

Mr Christopherson: Thank you, gentlemen. Interesting as always.

Buzz, you mentioned Quebec and what they were doing, but that was on the aerospace side. Are there any provincial governments across Canada that are responding to the kinds of recommendations you are making with regard to the auto industry?

Mr Hargrove: The Quebec government offered General Motors—it's interesting. They put up money where we've got no product, but we're not getting any money where we've got a product. They offered \$300 million in out-and-out subsidies to General Motors if they would put a new vehicle in the Boisbriand facility. The problem with General Motors is that their market share has stabilized around 30% in Canada and around 28% in the US, and they have no new products to put in there, so the money is meaningless. Where we have an opportunity in Ontario—we have two major new projects and potentially two others—the government hasn't said they're willing to do anything. That's our problem.

Mr Christopherson: We've got laws in Ontario regarding bonusing by municipalities, which from time to time is frustrating for municipalities, but overall certainly I believe, as do many others, that it's in the municipalities' best interests. Otherwise, it's a question of who can take the most money out of property taxpayers and hand it to somebody else to come in and provide job sustenance.

But I'm wondering, what's the current context vis-à-vis provinces within the nation? Are there restrictions at all under any kinds of trade agreements, either international or national, that prevent what we call "bonusing" at the municipal level, in terms of these kinds of supports? What are the rules?

Mr Stanford: In the long run, I think that model within Ontario for putting limits on the freedom of local governments to try to bribe investors to come would be important to try to apply at the national level and at the global level. This idea of trying to grow the carrot that you dangle in front of the industry's nose is not one that we relish. We would prefer a situation where we had rules and accountability on the companies which said, similar to the Auto Pact, that if you're going to sell vehicles in a market, you have to produce them there. That way, you could get your share of investment without having to bribe the investors to come, and in the long run, I think that's the direction we have to go. In the short run, you have to recognize how the game is being played right now internationally, which means we have

to be there with part of the carrot at the same time as we're trying to develop the stick.

There are not significant restrictions on the leeway of provincial governments to offer those types of subsidies. Quebec has been more aggressive than any other provincial government in doing so, and in some cases it hasn't paid off; they've lost the auto plant. In some cases it clearly has. Quebec's share of national aerospace employment has grown from about 45% in the early 1990s to 55% today. Proactive measures such as the capital tax, for example—they're not just going to blanket abolish their capital tax. What they will say, though, is, "We won't charge capital tax on new capital that you add to the investment." So their measures are very much focused on new investment and job creation, and in several industries, including aerospace, it has paid off.

Again, at some level you might prefer to see a situation where you had some internal agreements within the federation about making sure each region got a share of the high-value-added investment. That's not really on the horizon right now, so in the meantime governments like Quebec's can be very proactive. That's why, again, Ontario has to become part of that game.

Mr Christopherson: In the absence of the Auto Pact, and you give some sense of where the trend lines can go, is there a sense of an absolute minimum auto presence that we would have just because of the market forces that make this a good place because of the quality of the product, our competitiveness vis-à-vis our health care system and private health care in the States, things like that? Without the Auto Pact there as an absolute guarantee, is there a sort of natural level of investment that exists, or theoretically could things just continue to dwindle, and if other nations like Mexico get aggressive enough, you really could see all but the demise of the auto industry as we now know it?

Mr Hargrove: You could conceivably end up back where we were pre-1965, when the government took the action of putting the Auto Pact in place. If you look at just today, if Chrysler doesn't put the new investment in Windsor, we're down to one assembly plant in Windsor and one in Bramalea. Their parts have almost gone. We've got a 400-person plant in Etobicoke doing castings. So they would be a much smaller operation.

In the parts industry: if you look at the CAPC debate, the parts industry said, "We're going to go where the assembly plant goes. If you think we're going to make parts in Ontario and ship them to Georgia, forget it. That ain't going to happen. We're going to go to Georgia." That's what is required with the just-in-time.

Then you take the Ford project. If Ford closes its Oakville operation—it's closing its truck plant for sure—if it closes its minivan plant, if it doesn't get the support to do the long-term investment that takes it out to 2012, it still can say, "We're doing as much as the Japanese in Ontario. We have an assembly plant in St Thomas and we have 6,000 people building castings and engines in Windsor." They can make the argument, "We're doing fine."

General Motors: we've done a lot of work. We've got new investment. We've got good potential there—John and I talked about this recently in Oshawa—because we've added a third shift there and we did some things in bargaining to add another third shift in our other plant there. So in the short term, GM will offset some of those losses, but in the long term we'll be back to where we were building less than one vehicle for each one we sold in the country, which takes a success story and reverses it, with no logic to it.

The Chair: We move to the government side.

Mr O'Toole: I'll be brief and share my time. Thanks very much, Buzz and Jim.

A couple of things. I sort of remember the presentation by one of the economists or whatever, at the first CAPC meeting, who talked about overcapacitization in the whole industry globally. They also used a number that stuck with me and I've used it, Buzz, on a couple of occasions: the number of people per car. In North America it's about one or less than one person per car, and in Asia it's like 800 per car. In other words, the future production is really in Asia, and they aren't going to ship finished product to Asia. So if you look ahead 20 years, we're overcapacitized, it's all mislocated, and ultimately they're going to have to modularize the car somehow, where maybe the body is built somewhere and the chassis is built somewhere else, to avoid the shipping expense to get it to the market, because the market in the future is actually in China. They have no cars there and somehow they're going to have to drive them up the mountain or something. I just want to leave that with you.

The other thing, an important decision recently that I'd like you to comment on in terms of the tax incentives or other kinds of mechanisms of partnering, is the decision on Kyoto. To exempt the auto industry from Kyoto was extremely important in the shorter term, as you look toward hydrogen cars etc. But more recently the province has tried to look at a creative way, without targeting a sector, with the tax incentive zones to deal with not just the property tax issues but other tax issues in terms of environment and anything else. Could you comment on both Kyoto and the tax incentives before Mr Beaubien might have a question?

Mr Hargrove: John, you and I have debated the Kyoto thing, or talked about it at least. I don't agree that the industry should have been exempt. I don't think it adds anything at all and it's divisive in our country. If you were in Alberta today in the oil and gas industry, where their emission problem is way up here, and the auto industry in Ontario is almost at the bottom of the scale in terms of a problem, and we exclude those folks and we say to these guys, "You've got to make a massive change," I don't think that's good for the country. The projects we're talking about here will deal with lower emissions arising from the manufacture of vehicles, both the DaimlerChrysler and the Ford thing in Oakville, if we can get those two projects.

The overcapacity issue: capitalism is about overcapacity. Somebody is always coming in with lower cost issues, and we have a lot of them here. Ford Motor Co next year will celebrate its 100th year in Canada. That means four generations of workers have come and gone from Ford. Their pension liabilities are huge compared to Toyota, which has only been here for a decade, or Honda. Interestingly enough, Toyota and Honda have what we call legacy problems in Japan. But the Japanese government moves in and takes a lot of those costs and says, "We'll deal with that so you can remain competitive and sell your vehicles around the world."

We're not going to sell a lot of vehicles in China in the short term. China's market is growing. Their assembly operations are growing. They'll probably pass Canada this year or next, I would think, in assembly. But if you look at the growth of the middle class in China, the Chinese industry itself is going to be providing for the Chinese people for the next 20 years. We don't have to worry about them in the next 20, I don't believe—certainly not in my time, John—shipping into Canada and the United States. The real thing for us is, let's get our share of the investments that are coming to North America. Let's not lose them without a proactive effort to get them.

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The Chair: Mr Beaubien, a minute and a half.

Mr Beaubien: I'll make it very quick. Basically, John has already raised my two points. But first of all I would like to thank you for the very balanced presentation you made this morning. I agree with you that the industry is changing, government has changed, I think society is changing, and I commend you for looking at providing flexibility in the workforce with the new rate for employees and having a parks plan on the site.

As the previous presenter talked about, it's important that if we are going to maintain our standard of living and the social programs we have in place, we must maintain the high-paying jobs that we have in Ontario. I think expanding the tax incentive zone is a good catalyst to bring everything together. I do believe that the federal, the provincial, the municipal and the workforce have roles in order to maintain high-quality jobs in the future.

I don't really have a question, but that's my comment.

Mr Hargrove: The only thing I would say to that is that we have the lowest corporate taxes in relationship to the jurisdictions we're competing with right now, so taxes alone won't do it. They're like a junkie on drugs. That up-front money: when Georgia puts \$325 million on the table—that's C\$500 million—boy, does that impact on the decision of a corporation. You know exactly where you're at up front, as opposed to having to worry about a changing environment and taking advantage of long-term cost savings.

Mr Kwinter: Thank you very much for your presentation. I was really delighted to see some of the recommendations you made. I was the last minister who was able to deliver a financial package to the automotive sector, at Ford, when I was able to convince our

government to provide the investment for the paint plant and the van plant. It was easy. I remember when Ken Harrigan, the president, came to see me with their treasurer and he told me they were competing with St Louis, Missouri. He said, "We need \$102 million from you, and unless we get it, we haven't got a chance."

They spelled it out to me and I said, "You've got a deal." They said, "Come on. With all due respect, you surely don't have the ability to make that decision." I said, "I don't, but I know what I can sell." That's what I think has to be done.

It was a three-year payback and it was absolutely a no-lose situation because, if they didn't get it, there was no commitment on the government. If they did get it, you had not only two new facilities, but you anchored that facility in Oakville. I think it proved to be an incredible investment. The only regret I had was that the plant was opened after we were no longer in office. I had put that deal together, but that's the way these things go.

So there has to be this customized benefit. I think that a case can be made, if it isn't just a blanket sort of saying, "Come here and we'll do whatever you need to get you." You've got to sit down with the players and see what role the government has. I think that's a really important thing to do. There's no question in my mind—I have been down to Mexico with Frank Stronach and I've seen the facilities they've put into Pueblo, and there's no question that there's going to be a shift from Canada to Mexico unless we do something about it. I think that's a role that we as a government should have. I just wondered what your comments were on that.

Mr Hargrove: I couldn't agree more. The Ontario government, to its credit, had a lot of meetings with DaimlerChrysler over the Sprinter, which was the last big project that was announced in Georgia, as did Allan Rock's people federally. Their problem was that they said, "We'll look at this; we're willing to look at this," but they never did what you did. They never said, "We're willing to do this."

The mayor of Windsor said this publicly, criticized Allan Rock, criticized Jim Flaherty. The company won't come out and openly criticize, but Ed Brust, the president of Chrysler Canada—feel free to talk to him. He told me this personally, and other top people from the company told me, "We had no idea what we could get in support from Ontario or the government of Canada." They didn't have a clear picture, as you outlined.

If the government had put something on the table and said, "We've looked at that and we've looked at Georgia. We're going to Georgia," that would be one thing. But the frustration I had was that we lost a major project because they had no idea at the end of the day what the governments were willing to do. The DaimlerChrysler decision was coming up in a few days. They were moving to the edge of decision-making. They told both levels of government. We sat comfortable, saying, "We'll help," and they went to Georgia. The governor put US\$325 million on the table up front.

Mr Kwinter: If I could just make a comment on your aerospace comments. When I was the minister, I also had the distinct pleasure of dealing with the federal Conservative government. We were talking about problems that happened to be in my riding—de Havilland—and they told me outright, “Ontario has automobiles. We want Quebec to have aerospace.” That was a government decision. They wanted to be able to diversify the production capabilities in Canada, and that’s something that I think is still there. There is that feeling, “You guys got autos; let them have the aerospace.”

Mr Hargrove: It seems to be moving in that direction. Quebec lost its major auto assembly plant but, as Jim pointed out, has gained 10% of the share of manufacturing of aerospace products in Canada in the last while.

Mr Phillips: My view of the industry is that probably among our best economic anchors in the province are auto assembly plants. They’re jewels to be protected and expanded. Based on my look at the industry, the auto parts business is there heavily as a result of the assembly business. The auto parts may survive for a while without assembly, but over the haul, as you point out, will not.

So there are almost two different issues: getting the assembly plants, and then the operation of the assembly plants. The challenge is the political challenge, and that is persuading the public that this is a good investment. You’ve given us some good evidence here, I think. I would just add that the tax incentive zone, we were told, applies not just to geographic zones; it can apply to an industry. The point of my raising this is that even this government has acknowledged that it’s prepared to move to provide special support for an industry. So I think the principle now has been established, although as you point out, a tax incentive may not be the best approach. But we were told that tax incentive zones can be geographic or industry.

Have you any other examples for us of industry-specific support? You’ve mentioned here the R&D tax credit. The film subsidy is the huge, obvious one. It’s a much smaller but heavily supported industry. There is the drug patent. Have you any other examples where government has specifically recognized that an industry has unique needs and provided unique solutions to that?

Mr Stanford: Gerry, a lot of it happens in terms of how you design a program which you can nominally say applies to everyone, yet the criteria of the program are such that you know only particular industries are going to benefit. In fact, you may do that explicitly in the design of the project. So the R&D tax credit or some of the capital market subsidies that are provided for were clearly designed, presented and justified in terms of the need to stimulate computer programming and other traditional high-tech industries, and the types of R&D activity that are specifically outlined as qualifying for the tax credit, both federally and provincially, are specific to a particular type of industry. There are things that Nortel Networks can do and get a 20% credit from the federal government, and half of that from the provincial government, that no one could ever do in the auto industry,

no matter how high-tech and innovative the auto industry became. So it’s more, I think, through the specifics of the program definition that these programs end up aiming to pick winners. But you’re absolutely right: they do endeavour to pick winners.

Mr Hargrove: If I could just make one final point. The one plant I didn’t raise is the Navistar plant in Chatham, which is scheduled to close sometime this summer. We know they’re getting a lot of pressure from owner-operators of trucks. They’re getting a lot of pressure from trucking companies that like the idea that if there’s a plant in Chatham, if they have a problem with an investment that runs from \$120,000 to \$180,000, they can drop in there and find out and get help with their trucks. They don’t want to buy out of Mexico yet. We’ve urged the government to get involved, to get proactive, to talk to Navistar to see what can be done. They’re a little mad at us; we had a fight with them last summer. But I think there is an opportunity for government to talk to them there. If we lose that plant, that’s potentially a third plant we could lose in the next few months in Ontario.

So there’s real upside potential here, and a real downside if we don’t take a proactive approach. If I could leave the committee with anything, it would be to urge them: let’s not just sit back and wait. Let’s get involved and see what can be done here.

The Chair: Thank you, Mr Hargrove and Mr Stanford. It was one of the most comprehensive and well-thought-out presentations that we’ve had. I compliment you for the work you’ve done here for this committee.

Gentlemen, thank you. The committee will recess until 1 o’clock today.

The committee recessed from 1200 to 1259.

The Chair: Good afternoon. We’ll call the committee to order. This afternoon we begin with our regular delegations, having completed our expert witnesses.

CANADIAN FEDERATION OF INDEPENDENT BUSINESS

The Chair: Our opening presentation is from the Canadian Federation of Independent Business. Please come forward, Ms Andrew. I think you know that you have 20 minutes, and whatever time is left over will be for questions. Please proceed.

Ms Judith Andrew: Thank you, Mr Chair. It’s indeed a pleasure for the Canadian Federation of Independent Business to make these pre-budget submissions on behalf of our 42,000 independent member businesses in the province. I’m joined today by my colleagues in the Ontario legislative department of the Canadian Federation of Independent Business: Melanie Currie, policy analyst, and Minali Prem, policy analyst. You will see in your kits that some of the new materials—fresh materials, different from yesterday—have had the benefit of Melanie’s and Minali’s authorship and input.

Given the time limitation today, I would like to pass over some of the economic outlook stuff that Catherine Swift, our president, spoke about yesterday and direct

you to page 6 of the brief—I'm speaking of this one, entitled *It's a Small Business World After All*. Catherine did show you the small business priorities for action, of which total tax burden is the number one item. In the tax relief arena, we actually asked our members in our Ontario survey, "Where have tax cuts to date actually helped your firm? As job creators in the economy and so forth, where are these tax cuts assisting?" In fact, there's quite a lot of relief that's been noticed and felt and appreciated. Certainly the lower small business corporate income tax rate, which is also applying to an increased amount of income, is a very positive item for small and medium-sized enterprises. It's number 1 in figure 9. Personal income tax relief is also very helpful to our sector, since it allows employees and customers to retain more of their own earnings, and so on down the line.

I'd like to turn now to figure 10, where we will discuss the areas where priority tax reductions can actually help business growth in the future. Interestingly, municipal property tax and provincial education property tax head the list, and I think this is probably the second or third time we've made this point with this committee. Both the municipal and the provincial education portions are areas where small business would urge the Ontario government to act this year to reduce the burden.

For our members, capital tax is almost at the bottom the list, and also manufacturing and general corporate income tax. The capital tax relief of the first \$5-million deduction pretty much does the job for our membership. That drops it to the bottom of the list for small business. The issue for our members is the insensitive burden of property taxes, both the provincial education portion and the municipal portion.

Before turning to our recommendations, I'd like to also flag a couple of fresh new things in this submission that we're releasing before this committee today. The first one deals with the role of government and, I think, is fairly pertinent to a lot of the debate that goes on in a number of areas between the various levels of government, which programs and how they're financed. In our Ontario survey, we asked, "Do you agree or disagree with the following statements dealing with government role in our economy and society?" Almost unanimously, the number one finding is that small business owners think that all levels of government must work co-operatively. They certainly disagree whenever their political leaders at the various levels squabble and posture and don't respect the one level of taxpayer who pays for everything. A key item in this category would be in the training arena. Ontario and Canada have still not concluded a training agreement, which is problematic for small business. We would like to see co-operation in the training arena, in the arena of privacy—all these kinds of laws that in effect hit the one level of business but are coming at them from various levels of government.

Another interesting finding is that business owners say that the government providing a service must also raise the money to pay for it. I think our members recognize that this spending accountability principle would take

considerable realignment from present arrangements, but it is interesting in and of itself as a way to head in the future.

Most businesses also feel that government support to business should be meted through the tax system rather than by picking recipients. In this regard I would flag for your attention a one-pager at the back that deals with tax incentive zones.

As well, our members feel that government should try to find ways to contract out procurement opportunities rather than growing in-house capacity. This is an economic development tool that is not often used, and in fact is neglected, in respect of what it could potentially do for the Ontario economy.

There are a number of others there. Anyway, this is sort of an interesting new look at what role the small business community feels government should assume, and by contrast what businesses can do in our society and in our economy.

The same is true of some data dealing with unfair competition. For example, looking at figure 12 on page 10, 14% of our members actually complain about government and its agencies engaging directly in competition with them in commercial enterprise. There are other concerns here: business in receipt of government subsidies is seen as a problem for about 20% of our members; businesses operating in the underground economy without taxes or regulations—a third of our members complain about unfair competition from that source, and about half of them don't see this kind of unfair competition, thankfully. The subsequent questions deal with which level of government this arises at and what measures should be taken to battle it. We commend those to your attention.

In terms of the CFIB's recommendations for the upcoming budget, beginning on page 14, obviously we encourage the government to continue maintaining a sound fiscal balance and to emphasize debt and tax reduction over spending. As Catherine clearly stated yesterday, the announced tax relief phase-in schedule and maintaining that schedule does build business confidence. As well, we continue to urge that government spending be focused on priorities that support growth and competitiveness in our economy. There are some data in this brief dealing with health care, and that was discussed yesterday. The big one for small and medium-sized business is more relief needed on property tax, including the weighty provincial business education portion. On that piece of it, the business sector pays about six times what a resident would pay on a property of the same value.

If I could encourage you to turn, on page 18, to the first of the one-page issue summaries that are enclosed with this submission, this one deals with the property tax hard cap and rebalancing the load. Our recommendation in this area is that the Ontario government bolster existing measures, the ranges of fairness and the Bill 140 hard cap and adopt other measures to deliver more necessary property tax relief to small businesses. We continue to be disturbed when the city of Toronto and other communities that are affected by Bill 140 attempt

to say that the residents are shouldering an unfair burden of the increase. In fact, in the city of Toronto's case, businesses already pay 4.8 times for commercial taxes and 6.5 times for industrial taxes compared to residents. So businesses are very much overpaying, and the Bill 140 hard cap is only beginning to start to rebalance that.

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The property tax threshold recommendation is here. Mr Beaubien, in his report as special adviser, endorsed the notion of a property tax threshold or a graduated rate for small business. The CFIB believes this would help both commercial and industrial small firms and bring greater fairness overall. Also, it would assist home-based entrepreneurs to graduate to commercial or industrial settings. So it would be an entrepreneurship measure. Only if businesses are able to establish themselves in one of those settings are they in fact able to hire others. This is a real impediment to business growth and development, which could be dealt with with the threshold.

On the next page, dealing with red tape and regulatory burden, our recommendation is to establish a Web portal that would deliver all relevant government laws and regulations to business on a no-fee basis. This has come up as an idea, an offshoot from the inspection, investigation and enforcement project, and it's called My Laws. It's just a concept. We are hoping the government will support the development and establishment of this in the upcoming budget.

We have a number of recommendations in the tax administration area. I guess the key really new one is to adopt a turn-on-the-taps strategy by using compliance audits rather than enforcement audits. So unless a business has engaged in fraud or wilful misconduct, it will not be hit with uncollected tax amounts, retail sales tax penalties and interest. The notion here is to assist people to comply, rather than having lengthy, cumbersome audits that result in huge assessments on people who unwittingly couldn't make their way through the complicated rules. There are a number of other retail sales tax recommendations there. We also make recommendations in the area of electricity, insurance, fees and financing availability.

Catherine spoke about financing in Ontario and the difficulties here. Our key recommendation, on page 23, is to eliminate capital gains tax as an incentive for direct, patient capital investment in independent small and medium-sized enterprises. This would cut out the intermediaries, it would be a direct incentive and it would certainly help with the financing gap at the low end.

There's quite a lot in this brief, but I'm mindful of the time and I would like to conclude now and invite your questions.

The Chair: That leaves us about a minute and a half for each caucus. We begin with the government.

Mr O'Toole: Thank you very much. It's a pleasure to hear you today. It was a good presentation yesterday. Just a couple of things—the interesting response to where the tax cuts have encouraged or stimulated the economy. But I did hear very clearly yesterday, and I think we could

drill down on it a bit, that red tape relief is required; it's also mentioned in some of the input here today. Is there any specific thing? We've tried to do that and form a good relationship with—there's a business group. And the Red Tape Commission is still active and very interested, not in a regressive way, but in finding ways to streamline. Is there anything specific that comes to mind to you or the presenters?

Ms Andrew: Yes. Page 20 of the submission deals with this, and it does complement the good and diligent efforts of the Red Tape Commission to get at this intractable problem. Yet it's still a problem for 63% of our members, and actually two fifths of them say the red tape problem has gotten worse. Our recommendation now is to look at this from the standpoint of the business at the centre of all the regulation that comes at them and try to have some kind of tool that would deliver those requirements to them in layperson's terms. Our hidden agenda here is that when you do that, you'd actually have to look at the sum total of what comes at people and essentially streamline it somewhat, because no one business can comply with it all.

Interjection.

The Chair: That's it. Thank you, Mr Phillips.

Mr Phillips: There's so much in here, but just to take advantage of your visit here, the issue of electricity is obviously foremost. I must say, I'm still not clear on how this is working out there. You mention in your report here—I can't lay my hands on it right now—some action required on electricity. Can you give us an update of what your members are facing right now? Do many of them fall under the cap? If they don't, what is their expectation? How is that going to impact small business?

Ms Andrew: Since I don't have a lot of time to do that, I'd be happy to update you further later on, but there are two documents in the kit, one entitled Static on Electricity from Small Business. This was our take in the fall about what was going on in the wake of the high prices in the summer and early fall. Then this recent one from last week deals with the whole issue of the threshold of 150,000, which is inadequate for many very small firms. We've made a number of suggestions for adjusting that threshold. We don't think that will make a huge difference to the remaining businesses that are out there to essentially make the market for the future, but it will be a huge problem if certain businesses are not given the 4.3-cent relief.

The very thumbnail sketch of our recommendation is also on page 22, under "Electricity," and that's in the main brief, where we argue that the threshold has to cover appropriately small business and agribusiness. We have to deal with the extra charges, the billing formats and the deposit policies of the utilities. As well, small businesses require information for demand management, metering and so forth because they will eventually participate in the market.

Mr Christopherson: Welcome again. I'm following up where Gerry left off and, indeed, if your answer is exactly the same, you can say so and I'll move on to

something else. To quote one of the flyers that you mentioned that's in your kit, "It now seems that many small businesses and agribusinesses breathed a premature sigh of relief. The definition of who qualifies as a small business or farmer for the purpose of the relief is still being worked out. To make matters worse, there's a lot of misinformation floating about, confusion reigns and everyone's patience is wearing thin."

Can you just expand or elaborate a bit on what is being worked out and where the fuzziness comes into it?

Ms Andrew: We are meeting with the Ministry of Energy and the Ministry of Enterprise, Opportunity and Innovation on this very matter. So there is an opportunity to make a further change beyond the 150,000 kilowatts. It's "such other amount as may be designated by regulation."

Mr Christopherson: That's the focal point of your concern?

Ms Andrew: That's the focal point. We're working on that.

Mr Christopherson: By the way, I wanted to just draw attention to the fact that your report points out that your members agreed by a margin of 2 to 1 that government should be the only player in the traditional "sin" business: liquor and gambling. I thought that was interesting. I guess to listen to the government, anybody who cares at all about business thinks that selling the liquor stores etc is a great idea. It's interesting your members feel that way. Three fifths of them disagree that government should lead by example with better compensation and working conditions. I was disappointed in that.

Ms Andrew: On the first one I think it's—

Mr Christopherson: Oh, disagree; I'm sorry.

Ms Andrew: On the sin business it's disagree; it's the other way.

Mr Christopherson: So I have to say I'm disappointed to see that as well as the next one.

Ms Andrew: I think they would feel that no one in the public sector has an overriding better—

Mr Christopherson: But they would turn the casinos over? Just sell the liquor stores, all the gambling? That's their attitude, really?

The Chair: That will constitute the time.

Ms Andrew: Can I answer the last one briefly?

The Chair: Quickly.

Ms Andrew: Just on the compensation and working conditions, we actually do a study on this and there is a significant advantage at all three levels of government. I'd be happy to supply it to you. Our members don't think taxpayers should be following that since they're supporting those wages and benefits.

The Chair: Thank you very much, Judith. As always, we appreciate your input.

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ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

The Chair: Our next presenter is the Ontario Association of Children's Aid Societies.

Mr Jim Carey: Good afternoon and thank you. My name is Jim Carey. I'm the president.

Ms Jeanette Lewis: I'm Jeanette Lewis. I'm the executive director of the Ontario Association of Children's Aid Societies.

Mr Carey: I recognize how short our time is. The OACAS appreciates the opportunity to participate in the government's pre-budget consultation process and we hope that our research, information and input will be useful. We represent 51 of the 52 children's aid societies in the province. You have our mission statement, found on the first page. The board of directors has spent much time in preparing this document for you and has endorsed it. The board of directors comes from all the agencies across the province.

Over the last several years the government has not funded children's aid societies for any kind of prevention services. The focus and emphasis has been on the protection of children. If the focus of government does not include the funding for prevention services and continues its emphasis on protection, the services for children up to the second quarter of this year comprised 45% of the net expenditures of children's aid societies and the deficit in the residential services lines of the budget represents 49.6% of the projected overall deficit, which we estimate to be \$76.1 million across the child welfare sector for the 2002-03 fiscal year.

There were 17,463 children in care on September 30, 2002. We are projecting that number will increase to 18,040 by March 31, 2003, and will be close to 21,000 by March 31, 2005. If the government does not take significant action to reduce the number of children coming into care by funding prevention programs and providing incentives to agencies to be able to redirect days in care from group care to foster care, it is likely that by March 2005 the child welfare budget will be approximately \$1.5 billion. In the fiscal year 2002-03, it is estimated that child welfare expenditures will reach \$974 million.

Ms Lewis: Just a little background to set the stage for how this came to be, because I know some of you will remember when the budgets were in the range of \$350 million to \$400 million in children's aid societies and you might be thinking, "What has happened?"

In 1997, the government, in partnership with the agencies, embarked on a mission of reforming child welfare, which included new legislation and amendments that included neglect as one of the grounds for children needing protection, and this was indeed a gift for the children of Ontario. But what has happened is that many more children have been identified as needing protection and safety and care. Once those children are admitted into care, there have not been strong exit plans. So it's

almost like we can buy an annuity for those children who come in at age four or age five because they're staying in the care of the province for many years and thus the costs are starting to escalate at quite an exponential rate.

I think I'll let Jim speak about the financial crisis from the board point of view because he's a lay board member.

Mr Carey: The funding formula was created to improve the situation, but it failed to factor in the full effects of the changes to legislation, the documentation and other procedures.

In 1999, when the funding framework was implemented across the province, the government knew, the child welfare system knew and it was publicly acknowledged by both sectors that there were problems in the design of the framework and with some of the benchmarks. We were promised that there would be a complete review within three years. That review hasn't taken place.

Each year the gap between the funding provided and the amount CASSs must spend to provide protection and care to the vulnerable children in communities continues to widen. Many of the benchmarks were set in 1997—for example, the salary benchmarks—and therefore cannot support the actual costs of 2003. As a result, 50 of the 52 children's aid societies in Ontario are predicting deficit budgets this year. As I mentioned earlier—or perhaps I didn't, but I will now—this adds up to a total deficit of \$76 million. The essential and important gains of child welfare reform may be lost and children will be put at risk if this situation is not rectified.

Ms Lewis: So if you'll follow along, we're asking very strongly that there be consideration in the next year for an updating of the funding framework under which children's aid societies are funded. We find ourselves in a very similar position to where education was, and there certainly has been a review of that funding formula. The same applies to the children's aid societies. We have some key concerns that we outline on pages 4 and 5 of our documentation. The cost of salaries is continuing to increase. It's a highly unionized workforce. We've tried to prevent strikes because we know what that would mean in terms of the children who are being cared for, and so union settlements continue to increase the costs of operations.

The other area we've touched on as well, the increased numbers of children in care: we have not been able to keep up with the provision of foster homes. Many of the children who are in care are in expensive group care facilities, which often cost a welfare society more money than the approved benchmark. In fact, there are many instances where the cost is double or triple what the benchmark is.

I think you've probably read, just as we have, the press in recent weeks, about when the courts opened and the concerns from the chief justice about the overrepresentation of child protection cases in the courts and the impact on the Ministry of the Attorney General. This has also had a substantial impact on children's aid societies, where legal costs make up a substantial portion

of our budgets. Our travel benchmark was set in 1997, and those costs have escalated, not only for travelling to visit children but also for the cost of providing access visits, which are ordered by the courts. Then we have the continuing needs around information technology.

I understand that yesterday, when Minister Ecker made her comments in this committee, she talked about the need for multi-year funding. We certainly would support a multi-year funding model. It would provide more opportunity to plan in a rational way, to make some kinds of changes, perhaps some incentives, so that children's aid societies can make the kinds of changes that need more than a 12-month window to come into effect.

We've included in our document a little bit about some of the challenges of providing residential care. I'd invite you to have a look at the graphs on pages 6 and 7 because I think, better than anything I can say in words, they depict for you the kinds of challenges and the growth that our sector has been experiencing. In fact, the total cost for providing the days of care for the children in our care in the last three years has increased substantially, from \$230 million in the 1998-99 year to a projected cost this year of \$441 million. So that's a substantial increase. We do urge you to look at the residential sector and look at how per diems are set, how those approved rates are established and how they then affect children's aid societies that have to pay for these costs.

I think we should turn to our recommendations. They're found on page 9. We would just like to highlight some of them so we can provide some time for questions.

Mr Carey: Certainly the recommendations deal, as you can see, with each of the sections of our document. The first one, a review of the funding framework, we've already mentioned. We state there how it should be done and where the resources as far as documentation would be to help that funding framework review. Then we speak of the fund prevention and incentives in approaches for the CAS programs to be able to place children in foster care instead of group care, and the provision of funding for the developmental programs which would prevent child abuse and neglect and support families etc.

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Ms Lewis: I've already noted the costs of residential care. The residential care system, in response to this very large number of children coming into care, has expanded like Topsy. It really does need to have some monitoring and some better controls. We've recently had two inquests into children who died while in these group care facilities, children who died while being physically restrained, and there were strong recommendations made to provide the funding for an arm's-length kind of organization to manage the residential system.

We also think children's aid societies need to be given the funding for the actual costs of providing the care in these residential care facilities. Right now, that actual funding is not necessarily paid; it's paid by a benchmark.

We'd like to see a review of the rate approval process in these facilities.

In short, we think that there have been many gains made and we do salute the leadership that has been taken by all parties in caring for the province's children. As in any system, there are always needs, and probably the incident this weekend with baby Mira more than anything could underline the kinds of needs in this sector that are often unpredictable. No matter how well you plan, you can never plan for something like that. Thank you.

The Chair: That leaves us just about two minutes each, beginning with the Liberal caucus.

Mr Kwinter: Thank you for your presentation. Is all your funding coming from the government?

Ms Lewis: Yes, it is.

Mr Kwinter: So I notice that you're saying that 50 of the 52 children's aid societies are going to have a combined deficit of about \$76 million. How is that financed and how do you deal with that?

Ms Lewis: As the funding framework was introduced, there was a system of mitigation so that the funding framework could be developed and rationalized. In each of the years, in some of the issues we've had around salaries and travel and legal costs there has been a system found within government to mitigate those expenses of children's aid societies. We hope that will be the case again this year, but what we'd like to see is a more rationalized approach in the years going forward. I'm sure the government, just as the children's aid societies, would like to be able to plan more effectively so that we aren't always scrambling at the end of the year to say, "How are we going to meet this deficit?" So the board's time gets used for that instead of some of the planning that's necessary for serving the children.

Mr Carey: I have just come from a board meeting of the Catholic children's aid of Toronto. I've sat on that board for over 10 years, and we received a presentation from the regional director, who said, "This year there is no mitigation. There won't be any mitigation. You're on your own." As a volunteer director, I feel threatened by that sort of statement, but it happened today, not more than an hour ago.

Mr Kwinter: So in a worst-case scenario, if there are no mitigating funds, how do you deal with that?

Ms Lewis: I think it'll be dealt with in different ways by different societies across the province. We have some boards that are very discouraged with this year-after-year kind of approach to deficits and are saying, "Do we need this, as volunteers? Perhaps we should give the charter back." That's a very radical step. Other boards are saying, "Let's work with the province." There are regional tables that are meeting to try to look at cost-containment strategies.

Basically what would happen if the \$76 million were not to be funded is that for many societies it would be carried into next year's budget, and they'd get further behind, and we'd really have to find some way in the future to do this. In many ways this is like the police

force, but it's in the Ministry of Community, Family and Children's Services.

Mr Christopherson: Thank you for your presentation. I note specifically that the government in 1999 committed to doing a review of the funding framework in three years, which would have been last year, and you note that that didn't happen. Are there any plans underway to do that now?

Mr Carey: Again, that question was asked of the regional director today and the answer was no.

Mr Christopherson: Did they give you a reason for breaking their word?

Mr Carey: No. But maybe Jeanette, because she attends more meetings than I do, would have a comment on that.

Ms Lewis: I don't have a comment. I haven't heard a reason why yet.

Mr Christopherson: There's no rationale given. Hopefully, the government members might want to pick up on that and acknowledge that the commitment should be lived up to, and maybe they can provide some help.

You note that if there's not funding for prevention services, the total cost for child welfare could balloon from \$974 million to \$1.5 billion. You also say they haven't been funded for the last few years. Was there funding previously for prevention services?

Ms Lewis: Many years ago there were front-end kinds of services provided by children's aid societies: family support, various kinds of strategies to improve parenting capacity. Over the years leading up to child welfare reform, in most societies, because of their financial constraints, these services were gradually eliminated, and in the funding formula there is no provision for these services. So some societies, either through their foundations or through various little patchwork things, are finding ways to do some of this, but it would be much more effective if it were part of the funding formula, predictable and planned. Then we could see that across all of Ontario rather than in sporadic jurisdictions.

Mr Christopherson: The society does a great job in Hamilton. I just want you to know that. Thank you for your presentation.

The Chair: To the government: Mr O'Toole.

Mr O'Toole: Very quickly, costs are increasing. Why? What are the wages?

Ms Lewis: The wages vary across the province depending on their collective agreements.

Mr O'Toole: They're in excess of the benchmark. Is that the cause of all of this?

Ms Lewis: Yes, the benchmark was set in 1997.

Mr O'Toole: As it has been for us really, basically.

Ms Lewis: Exactly, but as you know from all wages in the provincial civil service and anywhere else—

Mr O'Toole: Everywhere in the public sector.

Ms Lewis: —people have expectations to have these wages increased.

Mr O'Toole: I'm not criticizing you. I'm just saying that the fundamental cost here—I see the caseloads growing, the cost per caseload growing, all the ancillary

services growing. Nothing's free. I know personally parents who, through various things—people we knew, both teachers, actually, good jobs—their child was in a halfway house for three years. They should have been paying for it. I have five kids and I'm paying. Do you understand? I don't blame them as individuals. There were other reasons, both court and whatever, but it's a huge strain.

Ms Lewis: There's no question that the wage pressure is one of the cost drivers.

Mr O'Toole: I thought we gave a great big increase there a couple of years ago because of the case managers and the case manager system in children's aid.

Mr Carey: The increased volume took care of that.

Mr O'Toole: Yes, but I thought we increased the wages, like ourselves. There was a big—

Mr Carey: No. Not since 1997, and they were set at levels that didn't compare to what the current staff were receiving.

Mr O'Toole: What would the basic salary be for one who, say, has five years' experience? What would they make?

Ms Lewis: A front-line worker—it would depend on their qualifications, but somebody maybe with a bachelor's level would perhaps be paid \$45,000 to \$48,000. That would be somebody who is having to do after-hours duty, who is having to go into some very, very difficult situations, sometimes under police guard, to take children. It's a very risky kind of job, and the wage piece of it is a part of the equation. The other part is the kind of stress from working with this kind of child and family all of the time. So those are the pressures that I hear indirectly come up at the union table.

The Chair: Thank you, Ms Lewis and Mr Carey. We appreciate your input today.

Mr Carey: Good luck in your work.

Ms Lewis: Thank you, and we do appreciate the support from all parties for children in Ontario.

CUPE ONTARIO

The Chair: Our next presenter is CUPE Ontario. Good afternoon, Mr Ryan. I think you know the routine: 20 minutes, and whatever is left over from your presentation will be left for questions from each of the parties. Welcome, sir.

Mr Sid Ryan: Thank you.

Mr Christopherson: It takes him 10 minutes to clear his throat.

Mr Ryan: Yes, just about.

With me on my left is Judy Wilkins, legislative liaison for CUPE Ontario. On my right is Shelley Gordon. Shelley is the researcher for the municipal sector in Ontario.

I was actually wondering why I'm even coming here, to be honest. I've been coming here now for eight years, making presentations, and you never listen to any of our recommendations. So here we are again, trying to make you listen to some common sense. I don't know if it's

going to work this time around. The only saving grace, though, is that we're hoping this will be the last time we'll have to make it to this particular—

Mr Beaubien: Don't bet your boots on it.

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Mr Ryan: Well, we'll see.

Obviously, this budget has a significant impact on all the sectors that we represent. I was going to make this long presentation dealing with all the sectors, but as I say, it's fallen on deaf ears in the past, and you can look up the record and take a look at the previous five or six presentations we've made. But there are a few keys points we want to make about the direction which we believe is fundamentally incorrect with this government, and that's this whole drive to tax breaks, deregulation and privatization.

We'd just like to take a look at a couple of examples, such as Ontario Hydro, where you made an absolute and complete mess of the hydro system in this province. You've taken the system and essentially driven it into the ground, embarrassed yourselves in the process in terms of the management of the system. Deregulation has led to increased rates right across this province. Although you've camouflaged it and you've hidden it from the consumers by introducing rebates and rate freezes, the fact of the matter is that you assailed previous governments for raising the debt load of Ontario Hydro, and that's exactly what you're doing right now with this attempt to buy the voters' confidence by offering rebates.

You have attempted to sell off Hydro One. Our union is proud of the fact that we stopped you dead in your tracks in the courts of this province when you tried to undemocratically manoeuvre the greatest jewel in the crown, if you will, in this province into the hands of your friends on Bay Street. I'm very proud of the fact that we put the money in to stop that venture.

Nonetheless, we're still left with some significant problems. We don't have the ability to generate electricity in this province as a result of the fiasco created by your government. We still have on the books where Ontario Hydro has got to sell off up to 50% of its assets to the private sector. We've got the OPG being told essentially to get down from 85% generation capacity to around 35%, and to a marketplace where there's no incentive at all for anybody to buy into those generating stations as a result of the complete sham that you've made of the entire system.

We want you to take a look at what you've done with Highway 407, a clear example of where you've plundered public assets and passed them over again to your friends and allies in the private sector. You told us there would be all kinds of controls in place in Highway 407 and that rates wouldn't go through the roof. You sold off a public asset in a fire sale. It is nothing short of criminal, what you did with Highway 407.

Take a look at what you did in home care, for example. You tried to bring your marketplace-driven ideology into the home care system. We had a system in this province that was one-stop shopping and was actually

working, paying workers decent wages. Organizations like the VON, for example, were running the home care program and doing it very, very effectively, the Red Cross. You ran them out of town and you brought in these privateers and hucksters from the United States who in some cases had been sued in the United States for defrauding the health care system in the US. You brought them into Windsor. You got rid of the VON, which was basically one organization looking after home care, and you replaced them with eight or nine other organizations, all sucking money out of the home care system, each of them with a CEO, each of them with their own front-line sets of managers, each of them with their own financial officers, each of them with their own human resources management systems: eight, nine or 10 of them replacing one simple system, to the tune of \$247 million going into administration of the home care system in this province. That's \$247 million that could be going into services for members of the public, for people who are vulnerable, people who are hurt, the elderly people in need. They are left out there hanging.

Wages have dropped in the sector. We are losing nurses. Particularly in areas like Kingston and Windsor, nurses are leaving the health care system in Ontario and moving across into the United States, where they can get better wages in the hospital system. This is what the so-called market-driven philosophy of the Tories has been. You've made a complete mess of home care in this province.

These are the kinds of examples. We're saying we don't want to see you repeat these fiascos, for example, in the hospital sector. Once again you're looking at bringing in private sector partners, much like you did with Highway 407 and much like you did with the home care system. What we're going to see again is a degrading of the system. Every dollar that goes into profits is a dollar less for front-line services, a dollar less for nurses, a dollar less at the bedside.

In particular, I want to talk about P3 hospitals, because they do not make an economic case under any circumstances. You cannot make an economic case for bringing in the private sector. Take a look at the UK; they've attempted to do it.

It's common sense: why would a government want to go out and say to the private sector, "Borrow money in the marketplace at 8%, 9% or 10%," when we as a government can borrow it for 4%? Why would you want to try to say to people that somehow bringing in the private sector, which will want at least a 15% to 20% return on their investment—how is that going to add value to the health care system when you've got the privateers ripping this money out of the health care system, out of front-line services, out of emergency department services? It makes no economic sense whatsoever.

The same thing for MRIs and CT scans: you tried this model in Sunnybrook when you brought in Cancer Care Ontario. The Auditor General had to pull your government up and say this was a waste of taxpayers' money. It

costs \$500 more per treatment for cancer care in that particular facility, plus the \$4 million in set-up costs in the private sector. You could not make the economic case, but you still plowed ahead and gave them an extra contract for another couple of years.

At the same time as you were foisting this fiasco of Sunnybrook and Cancer Care Ontario upon the citizens of Ontario, in Hamilton we had exactly the same waiting lists, we had exactly the same problems, and CUPE, together with ONA, sat down with the operators of the cancer care facility in Hamilton and worked out a solution. The solution was very simple. We asked doctors and others to work longer hours and keep the facility open—instead of just from 8 to 5, maybe we should open it from 7 until 8 at night. We cleared the backlog, and we did it without the incentives you are trying to offer to the private sector. We did it without charging \$500 extra per patient. We actually did it by working with exactly the same system and the same employees and extending their hours. Now you're trying to tell us that somehow this Sunnybrook experiment is a model we should be following for the rest of the province. I only hope the public in Ontario wakes up to this agenda you've got, which you've been foisting upon the citizens of this province.

We believe this direction you're foisting upon us applies equally to education, where you're giving \$300 million or \$400 million this coming year to the private sector to operate private schools.

It's a cancer that you're creating inside the public sector, and it's got to be stopped. I guess the only place to stop it, because you won't listen, is at the ballot box. I'm certainly hoping the penny drops for any viewers out there who are listening or watching this presentation and that we begin to get mobilized in this province and take this government out, because it's the destruction of public services in this province.

I just want to finish essentially by saying that we believe you're heading absolutely in the wrong direction. You have not made the case over the last eight years in any one of the systems you've put your hands on. You have not made a success of the electricity system in this province. We know you made a complete mess of education; you created the crisis that Snobelen said he would create before he went down to Oklahoma. We also know that you've made a bags of the health care system and you're trying now to turn the focus to our friends at some other level of government, whom you're trying to blame for the problems you're creating in this province.

We just wish you would stop and think and take a look at the system. For example, in electricity, you know you're on the wrong track, and you've gone back to what? To exactly the same system that was in place prior to your government taking office. The only difference is that you've added an extra \$2 billion to the debt and four years of an experiment that didn't work. We don't want that kind of voodoo economics coming to play in any component of the health care system, or any other component of the public sector for that matter, including our universities.

John, I'm dying to hear your questions.

The Chair: Does that conclude your presentation, sir?

Mr Ryan: For now.

The Chair: Then we begin with the NDP. Mr Christopherson, you take the lead. We have just a little less than three minutes per caucus.

Mr Christopherson: This may be your day, John. Gerry and I were considering giving up our time for John, because nobody can make better points for us than John.

Mr Beaubien: Do you want to give him their time?

Mr Christopherson: I'm not there yet, but we'll see how it goes.

Thanks for the presentation. I was particularly pleased to hear you underscore how well we worked things out in Hamilton, but unfortunately we've also got an example that supports part of the horror story you raise in here, the visiting homemakers. I know you were down there speaking, as was I, at a number of rallies we had.

People should know that it was the CCAC that changed the rules—unilaterally, by the way—that ultimately caused Hamilton to lose the visiting homemakers association. I still have trouble accepting the fact that it's actually gone, because it's such an integral part of the community. A lot of that work, of course, is now going off to the private sector. I wonder if you could tell me whether you're seeing that same example replicated in other communities as you travel around Ontario.

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Mr Ryan: Yes. The one I'm most familiar with is Windsor, where the VON delivered homemaking services for 70 years. They were an institution in that community. Busloads of them travelled to Queen's Park in an attempt to get the Tories to change their minds. Essentially they wanted the VON to cut salaries by \$5 an hour in order to keep the contracts, which just wasn't going to happen. They brought in a company from the United States that, as I said, had been defrauding the system down in the United States, and seven other companies that bid on the contracts.

We've almost come full circle. They realized that when the nurses in the Windsor area refused to work for \$5 an hour less than they were getting in the hospital system, they just went across—the Detroit hospitals came in, put on displays and made a bid for all the VON workers. Of 112 VON nurses, about 70 went into the Detroit system. In other words, we used Canadian and Ontario taxpayers' dollars to train our nurses, only to see them go into the United States and the US benefit by the taxpayer dollars we were paying in Ontario.

The same thing happened in Whitby. You mentioned Hamilton, and Kingston had the same fight. Everywhere we've got a CCAC this fight is on.

Just last night, actually, John O'Toole was at a health care meeting in Oshawa. That's exactly where we heard the same stories coming forward from the people delivering home care there as well: the system is in crisis, not enough funding, people going without, rationing taking place, duplication.

These private sector companies will not share information between themselves. Before, one organization would call in and they would know when to send somebody in if somebody had to take blood or somebody had to change some bandages or whatever. They would actually coordinate the activities and go to that home. Now you've got three or four organizations showing up on the same street, one going into one home because they've got the contract with a certain group of patients, others going into a house across the street, and all charging mileage and refusing to share information when it comes to ordering supplies and materials through the CCAC. They've got seven separate databases in place. Under the legislation, they don't have to divulge their profits and they don't have to divulge lists of names. There is no sharing of information. It's just a complete mess, and they're trying to foist off on us that somehow this is an efficient use of our taxpayers' dollars and they've improved efficiencies for people in home care. It's an absolute joke. And now they're also finding—

The Chair: Thank you, Mr Ryan. We're going to go from the NDP to the government side. Is that all right?

Mr Ryan: I'll just answer the question when it gets to the Tories.

The Chair: Unfortunately, you won't have the opportunity to engage Mr O'Toole first. Mr Beaubien is first and then Mr O'Toole. Three minutes.

Mr Beaubien: Thank you very much for your very, very positive presentation. I should give you the CAW's presentation from this morning. I think it would be a lesson to be learned.

We had a presenter yesterday who said, "The one single thought that sustains me is that the fundamentals are good." I'm not going to ask any questions. I'm going to make a comment, because I don't think it warrants any questions.

I'm glad to see that at least you're consistent in your presentation. On page 7, you even take a shot at Romanow, with regard to his report, in failing to notice "the significant research available that shows that the introduction of for-profit housekeeping and dietary services...." Then on page 8, again being very consistent, you take a shot at Rozanski with regard to the funding formula. I want to congratulate you for being consistent in your presentation. With that, Mr Chair, I'll share my time with Mr O'Toole.

Mr O'Toole: I understand you have a different point of view, and that's appropriate, I suppose.

The other thing is, if you look at the presentation yesterday—

Mr Ryan: I can't hear you, John.

Mr O'Toole: —the participation rate in the labour market is the highest it has been in 11 years. All the other barometers and indicators, not just of jobs, are positive. What would you say is the most problematic for the public sector?

I know now that in the public sector, OPSEU and that, I was told by persons who couldn't believe the contract benefits they have—they're permanent jobs, basically.

Most of the ones that were downsized have been hired back at more money and now qualify for a pension after a certain number of years. So I think you're pushing, and I understand that. It's your job. You're elected by the membership.

Mr Ryan: I don't know if there was a question there or not, but I'm astounded at the Tories trying to take credit for OPSEU negotiating good collective agreements and good benefits for their members. That's a real stretch, John, when you've tried to completely decimate that sector and you laid off 20,000 of their members in the first year you came into office. So to sit here now, five years later, and try to take credit for the fact that OPSEU has managed to negotiate decent collective agreements—because they went on strike against your government for five weeks and you knew full well that was in the offing. That other strike just a few months ago would have lasted a lot longer had you not buckled in and said, "OK, we're not going to beat this union into the ground twice." So please don't try and take credit for what the union did.

In terms of the job market, it is just astonishing that the Tories would actually believe that somehow you have created this economy in Ontario, when 85% of our exports go to the United States. When the United States was booming under the Clinton administration—

Mr O'Toole: Their economy is in the tank.

Mr Ryan: It is. It's going into the tank right now, but at this stage of the game, don't tell me that somehow the jobs that were created in Ontario came as a result of the tax breaks you gave to your corporate friends.

The Chair: We'll go to the Liberal caucus.

Mr Phillips: Thank you for your presentation. I'll just comment on the 407. The public may be interested that this Saturday the rates are going up about 12%. If you drive, as many do, from Markham to the 403, you're going to be paying \$500 a year more in tolls on the 407. My question is elsewhere, Mr Ryan, although you're welcome to comment on that. I agree with you that when they sold it—the 407, by the way, was sold on May 5, 1999. When do you think the election was called? May 5, 1999. It was a cash grab for the election. We were told there were controls on the tolls. The owner now says, "There are no controls on the tolls. We can take them up without limit."

My question is this. The Minister of Finance was here yesterday indicating it's full speed ahead on the tax cuts. They were forced to delay them for a year because they couldn't find the money—and break the Taxpayer Protection Act—but they got elected twice on tax cuts and they'll run again the third time.

I'd just like to get your comment. The thing that surprised me in the numbers yesterday was that it's now Ontario's position that we need corporate taxes in Ontario 25% lower than our US competitors. They're at 40%; Ontario wants to be at 30%. The forgone revenue on that is roughly \$4 billion.

The Chair: Question, please.

Mr Phillips: Why would you think Ontario needs corporate taxes 25% below the US?

Mr Ryan: I'm not so sure there's a logical reason. There's an ideological reason. There's no question, as George Bush tries to implement this massive tax cut in the United States, the top 1%—and it's something like 670,000 millionaires that they've got in the United States—will benefit by it. The Tories in this province, no question about it, get their main support from the business community.

Mr O'Toole: No, we don't.

Mr Ryan: Yes, you do. By getting a tax break and a tax incentive for their friends, likely the purse strings will be loosened up as we enter into an election era. But I will say this much about the \$4 billion: if they even attempt to go down that road, if you combine that with the \$2 billion they've deferred—there's \$1.9 billion deferred in building maintenance in the university sector, there's \$1.6 billion that Rozanski is saying we want to put in, there's a couple of billion dollars you've taken out of the health care system, and there's about \$2 billion of accumulated debt in Ontario Hydro. If anybody believes for one second that the Tories, if re-elected, will somehow follow through on those promises, whether it be to keep the rate freeze on—Ralph Klein promised it just before the election, and after the election he removed it.

On the Rozanski report, they're promising "a couple of hundred million dollars now, but if you re-elect us, you'll get the rest." That is not going to happen. You cannot balance the books by giving \$4 billion out to the corporations, practically \$2 billion required for Rozanski, and of course the \$2-billion debt in Ontario Hydro. I think we're back to where we were in 1995: massive cuts, massive rollbacks, massive layoffs in the public sector. If that's what the public wants in round three with the Tories, then I'm not so sure they're going to be on that road. I actually believe there will be a change of government, and this will be my last presentation, thank God.

The Chair: Maybe not. We shall see. Welcome, as always, and thank you, Mr Ryan.

1400

McMASTER UNIVERSITY

The Chair: Our next presenter is Dr George, McMaster University. For the purpose of Hansard, Dr George, would you be kind enough to state your name clearly when you begin. Welcome, sir.

Dr Peter George: My name is Peter George. I'm the president of McMaster University. Some of my friends joke and call me a CEO. My principal weapon is moral suasion, however, and that's what I'm here to exercise today. It's nice to see so many familiar faces. It's been a while since I've been at this committee. I used to come here on a regular basis a few years ago. I'd like to thank the committee for giving me the opportunity to present my views on some of the current and long-term issues confronting the stakeholders in post-secondary education.

Our ability to meet the needs of students and serve our communities is built on partnership between our educators and researchers, our graduates, the private sector and governments, especially the provincial government, and legislators. I'm particularly grateful that members of this committee continue to demonstrate their interest in and concern for Ontario's post-secondary education system.

I'll begin with a few comments today on the double cohort, because it is a highly visible issue. Students and their parents are concerned in the first instance about access to post-secondary education, but they are concerned too about the quality of the educational experience that universities can provide while taking in so many new students. I know that members of this committee are well briefed on post-secondary education, so I'd like to move quickly through a review of the complex array of issues associated with the double cohort.

It's an issue that has been many years in the making, and one of the most important lessons we can learn from it is that we need to have a longer view of the post-secondary education system, both its rules and its requirements. We must not think we can fix the perceived double cohort problem and assume that it will go away in four years. That would be underestimating the true nature of the challenge presented by the double cohort and, perhaps worse, it would be failing to seize the opportunities it presents for us in Ontario.

A word on McMaster. Our goal has been to make McMaster the pre-eminent student-centred research university. It is our conviction that a student-centred research university has the culture, perspective and means to provide the type of undergraduate education that is most sought by students and employers. This is a university education that presents cutting-edge content in its fields of study and enables students to develop the generic critical thinking, inquiry, research and communication skills that will enrich their lives and position them to be productive participants in our economy and society.

The double cohort is a shorthand expression that covers a range of related issues: first, the elimination of the OAC year, which has resulted in two high school graduating classes in 2003. You will know that the Ontario Universities' Application Centre has reported a total of 101,668 students seeking entrance to Ontario universities in the fall of 2003. About 35,000 of these have made McMaster one of their choices.

Our growth in the first-choice category is up by more than 50% and outpaces the provincial growth, which is 46.7%. This is a testament to the excellence and dedication of our faculty and staff and the reputation of our graduates in the workplace and community. Demand for these programs is distributed fairly evenly across faculties and disciplines on campus and indicates students are attracted to strong academic programs by our reputation as a school that fosters innovation and discovery.

But there is more than the coincidence of two high school graduating classes at work here in 2003. First, the size of the 18- to 24-year-old population group is increasing and it may grow by as much as 12% by 2010. At

the same time, a higher percentage of them are seeking a post-secondary education. In 1985-86, the participation rate in higher education was 13.6% of the 18- to 24-year-old age group. This rose to 22% in 1997-98, and a COU study projects it could approach 25% by 2010. So the university-age population group is getting bigger, and most of them want access to post-secondary institutions.

McMaster's catchment area in Ontario is the Golden Horseshoe. Fully 80% of our students traditionally come from this area, including just over 40% from the GTA. Statistics Canada projects that the 18-to-24 age group in the Golden Horseshoe will increase by 31% between 2001 and 2016, so there's going to be a special challenge for institutions in the Golden Horseshoe-GTA area.

In addition to demographic change and participation rate increases, there have been other behavioural changes that have confounded the enrolment forecasting models. We have fast trackers, we have slow trackers and we have the phenomenon of higher retention rates for students moving from first to second year of study. Finally, the double cohort issue cannot be separated from funding issues, the legacy of restraint and our capacity to catch up.

A brief word on government actions. The government and Ontario's universities have been working together to ensure that every qualified, motivated student in the province who wishes to attend a post-secondary institution in Ontario will have the opportunity to do so. In the 2001 budget, the provincial government made a commitment to increase university and college operating budgets by \$293 million by 2003-04 to match the then projected enrolment increases and, in response to higher forecasts, supplemented this in last spring's budget by an additional \$75 million, to bring the increase in base to \$368 million by 2003-04.

The government has also announced a number of new investments in student assistance over the past few years, including the Ontario student opportunities trust fund, Aiming for the Top, access to opportunities and increases in Ontario graduate scholarships. The province also allocated \$981 million to the first round of SuperBuild post-secondary education initiatives, which was expected to lever another \$1.2 billion in other funding, for a total of \$2.2 billion, to support the creation of 79,000 new spaces. Minister Ecker announced a new SuperBuild round in the 2002 budget to support the creation of 13,000 new spaces.

What have we been doing at McMaster to prepare for this? I take McMaster as, I hope, symptomatic of what other institutions are doing as well. We established a comprehensive planning process in 1995 called Directions, which among other things developed our vision and mission statements, integrated our academic and financial planning, equipped us to respond to the cut-backs in the mid-1990s, then to set strategic priorities and take initiatives to plan and respond to growth opportunities, including the double cohort.

Universities across the province have responded to student demand by increasing enrolment. Our first-year

undergraduate registrants increased by more than 1,400 between 1998-99 and 2002-03, an increase of 44%. We've been responding to the need for student spaces on many fronts: the construction of temporary classrooms, a 350-seat temporary steel structure, a 225-seat conversion of a dining hall, a 400-seat temporary steel structure, the temporary appropriation of 450 seats in lecture theatres on the Hamilton Health Sciences site, the extension of class hours, the relocation of continuing education downtown and so on and so on. All of these are aimed at increasing the efficiency with which we use our facilities.

Of course, we entered the 1999 SuperBuild competition for funding to create new student spaces and we were grateful that we were awarded more than \$22 million from SuperBuild to support our \$47-million project to add and modernize classroom and lab space for our students. Let me give you a reassuring piece of news: we did so at a cost well below the provincial average for adding new spaces.

One of the initiatives SuperBuild 1999 supported was the renovation of undergraduate chemistry labs, which enabled us not only to improve space utilization, but also to enable our first- and second-year students to conduct experiments in a controlled setting that mirrors the industrial environment. These are the first undergraduate chemistry labs in the country to be equipped with fume hoods, so the experiments can be real-world-type experiments and help prepare the students for industrial application.

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We need to do more. The major component of our plan to respond now is the McMaster Centre for Learning and Discovery, a state-of-the-art, multi-purpose facility that will integrate teaching, classrooms, research facilities, research incubator space and hospital critical care facilities. Included in the building is a project we call Opening Doors to a Brighter Future. It has the potential to create 1,459 student spaces to respond to growth and replace temporary classrooms. Planning for this facility has been underway for some time, so we were able to begin construction last November in order to be ready in time for the class entering in September 2004.

We were delighted when Minister Ecker announced a new SuperBuild round in the 2002 budget. We welcomed the launch of the new competition on December 17 by Minister Cunningham, and we have submitted a proposal to help us open doors. I hope you will all have a chance to see it and to support it. McMaster has a track record of solid partnerships with both the private sector and with government, and this project is a wonderful opportunity for all three parties to work together to address the student demand for spaces in the GTA, southwestern Ontario and across the province.

The second thing I wanted to talk about was the need for a longer-term perspective, because I think a key lesson from the double cohort experience is that we must take a longer view of issues in post-secondary education and the implications of change over time. We have embarked on an internal process now to refine our strategic

plan and prepare us for the post-double-cohort period. We think it is very important for our partners in the public and private sectors, and particularly government, to think beyond the double cohort as well.

As partners consider the importance of post-secondary education and its future role, they should ask questions like this: Should the province have a long-term enrolment policy and, if so, what should it be? Should we be aiming for a higher post-secondary education participation rate? Should we have university-based research targets, and what does that mean for graduate education? What is the vision of future university-industry collaborative research arrangements? What is the best way the provincial and federal governments could work together to engage post-secondary education in achieving provincial and national objectives?

There are a number of pressing issues here, and I want to reserve some time for questions. I will be brief and shorten what I have in the written presentation.

Access to university means access to excellence as well, so we need to look at more than accessibility; we need to look at excellence. I want to focus, for example, on faculty to student ratios. Studies here and abroad consistently show that faculty to student interaction outranks every other factor in influencing perceived quality of the learning experience. The simple fact is that while undergraduate student enrolment is increasing in Ontario, faculty numbers have been declining. The COU has determined we will need to recruit 13,500 new faculty members in the next decade, which is more than the total number currently teaching in Ontario universities. That's partly because of the great pace of retirements. Graduate student enrolment, the source of future faculty appointments, has been stagnant in Canada for the past decade. So there are two issues here: faculty development and graduate student enrolment. For the past 18 months, McMaster has been recruiting at a rate of two faculty members a week just to keep our heads above water. But over the last decade, our student to faculty ratio has deteriorated from 20.8:1 to 24.2:1.

So one thing I urge you to consider recommending action on is specified quality improvement initiatives, or benchmarks, a quality assurance funding if you like, that would help to ensure that double-cohort students and beyond receive the quality education they deserve. Ideally, we should put in place a multi-year base funding initiative that gives university planners and government planners the certainty they must have to be able to respond to the needs of students and the accountability and risk-sharing mechanisms that governments need.

I think, second, that if we do this, if we invest in quality as well, Ontario is going to be in a wonderful position by the end of this decade. The double cohort and the demographic growth, which is almost unique to Ontario compared with other provinces, will give Ontario a jump-shift, if you like, in the preparation of highly qualified, highly employable young people who will be prepared to take their place in the economic and industrial and business activities of this province. We will lay an

increased, enhanced basis for the foundation for our future prosperity. But Ontario, because of the double cohort, because of demographic growth concentrated here in this province, can steal a march on the other provinces in terms of further enhancing our economic leadership.

Graduate education: we need to act now to increase enrolment of graduate students in master's and doctoral programs. Graduates of these programs become the industrial research technicians, the people in the industrial research labs that private industry requires. Many of them will also become urgently needed faculty members to replace the large group of retiring professors and to provide the kind and quality of relevant educational experience.

The federal innovation agenda has identified increasing graduate enrolment by 5% a year for the next decade as a priority, but leadership for this important initiative is the responsibility of the province. I believe there is an opportunity to build here on the co-operative models developed in supporting university-based research to ensure that we have the highly qualified personnel to meet our objectives.

Finally, in research, one of the great successes in Ontario has been in the area of research. The Ontario research and development challenge fund and the Ontario Innovation Trust, together with the relevant federal initiatives, have contributed to a dramatic surge in university-based research and university-private sector research partnerships in Ontario.

I have a graph of the increase in research funding at McMaster. You will see that it has virtually doubled over the past several years, and in 2001 yielded 41 invention disclosures, 31 patent applications, 14 licensed technologies and more than \$878,000 in licensing and royalty income.

But this research boost provides more than just economic development opportunities; it has also led to the successful recruitment of new faculty, who are critical to the long-term success of Ontario's universities and the Ontario economy. McMaster alone has hired in the past several weeks from Brown, from MIT, from Columbia, from the Weizmann Institute in Israel, from Queensland in Australia; a large number of repatriations of expert personnel to Ontario to the benefit of the Ontario and Canadian economies.

In conclusion, I think the double cohort has presented us with a challenge and an opportunity. The opportunity is to build capacity in our post-secondary education system to respond to the higher enrolment levels that will come beyond the double cohort because of increased participation rates and demographic growth in the 18- to 24-year-old age group. We've opened the door that will position Ontario to be a leader in the increasingly competitive, increasingly global knowledge economy. Let's, here in Ontario, keep opening the doors to innovation and discovery.

The Acting Chair (Mr Marcel Beaubien): Thank you very much. We have time for one question. We have

a minute and 30 seconds. The government side, Mr O'Toole.

Mr O'Toole: Thank you very much, Doctor. I appreciate your input. I do favour people going to post-secondary, and I think the knowledge-based economy speaks to that. I think it really does show some respect to strengthening the curriculum with a bit more vigour, setting higher standards. That's the deal here. Not everybody's going to have an auto job in the future.

I want to compliment, really, your media attempt recently. I mean that in all sincerity. A very grand—35,000 applicants for 3,500. It read so well in the media. I thought it was well managed.

Dr George: Well, we can't manage the media. I'm sorry, Mr O'Toole.

Mr O'Toole: Oh, I know. It did have good press. I sort of watched that.

My experience as a parent of five—my brother's son and my sister's boy both went to your school. One has a PhD now from the University of South Carolina; just got it. He didn't get into your graduate program there, but was just hired on the faculty at the University of South Carolina. The other is at UCLA. One's name is Audia, and the other's name is O'Toole.

My question is this. I was impressed with your innovative approach to solving the problems, called "Our Preparations." All of my five children went to university. My biggest problem was that they didn't go all year. Most of them have an honours or a grad degree. They could have actually done it in three years, really. And then they had to pay for the rent and all that stuff. The real cost of university is the living, not the tuition; it's the living and the other part.

The Acting Chair: Question, please.

Mr O'Toole: Why don't we have year-round university so you can get an undergrad degree in three years or two and a half years?

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Dr George: We have a lot more year-round activity than is popularly known. In our medical school, for example, we're the only one that has a two-year and two-term medical school. Students go continuously throughout the period and they get out a year and a term earlier than they do from other medical schools.

We have a number of summer research studentships that have students engaged in research with faculty mentors through the summer. This is crucial to a student-centred research university, where the integration of research excellence and educational opportunity is crucial. We certainly have research going on all summer long, of course, and our graduate students are in residence all summer.

We offer a number of programs in the summer for part-time students. The big demand that used to come from teachers who needed to complete a bachelor's degree to complete their qualifications dropped off in the 1980s. We've looked at the possibility of full semestering and summer semestering, but the one place where it has been tried, at Guelph, it has not been successful.

Mr O'Toole: What about Waterloo?

Dr George: They run a co-op program as well. There is a marked aversion in Ontario, because of the tradition of summer agricultural employment, to move to three full terms, but we experiment with that.

The Acting Chair: With that, I have to bring it to an end. On behalf of the committee, thank you very much for your presentation this afternoon.

Dr George: Thank you very much. I appreciate the opportunity. Good luck with your deliberations.

The Acting Chair: Sorry there wasn't time for more questions.

Mr O'Toole: How did that happen?

Mrs Marie Bountrogianni (Hamilton Mountain): Come on. It's my critic's role. It's my president, my hometown.

The Acting Chair: I'm sorry, but I have to go by the rotation.

ASSOCIATION OF EARLY CHILDHOOD EDUCATORS, ONTARIO

The Acting Chair: Our next presentation is from the Association of Early Childhood Educators, Ontario. I would ask the presenter or presenters to please come forward. If you could state your name for the record, and you have 20 minutes for your presentation.

Ms Eduarda Sousa: Hi. My name is Eduarda Sousa. I'm the executive director for the Association of Early Childhood Educators, Ontario. I've brought my colleague Leah Yuyitung with me in case there are any questions. The presentation isn't 20 minutes, so you'll have lots of time to ask lots of questions.

You'll have to bear with me. This is the first time I've made this kind of presentation, so I'm reading from the report and I will not diverge at all from it.

The Acting Chair: Feel comfortable. We're a pretty easygoing group.

Ms Sousa: I don't know. I'm trying to picture you one way, but it's not working.

Established in 1950, the Association of Early Childhood Educators, Ontario, has been in the forefront of advocating for and setting standards of training, professional development and code of ethics for early childhood educators working with children and families in Ontario. The Ministry of Community, Family and Children's Services, which regulates the licensing of centres, recognizes the function of the AECEO to grant equivalency. This process evaluates an individual's credentials for working as an ECE in Ontario. The AECEO also currently administers a voluntary certification process that sets a standard of entry to practice for its members.

Ontario needs and deserves high-quality care and education for its children as a means to develop a strong economic and social community. Accessible, affordable, high-quality child care services are critical to this formula. The services currently in place do not begin to meet the demands of Ontario families.

Today, early childhood educators can be found in a cross-section of environments: child care—that being commercial, non-profit, family/home care—family resource centres, drop-in programs, recreation, early years centres, health care, and education. The perception out there right now is that ECEs primarily work in child care centres, but that's no longer the case.

Early childhood educators, because of their involvement with young children in a variety of settings, play a critical role in delivering these services through day-to-day interactions with children and parents, curriculum planning, implementation and evaluation, program supervision and administration, and training.

Though their job descriptions may vary, ECEs have in common specialized training and their obligation to and passion for the education and care of young children and their families. Research conducted in Canada, the US and Europe has consistently shown that high-quality early childhood education benefits young children in all areas of development. The indicators of high-quality programs are well known. Research has shown that factors such as ratios, group size and program size are critical in determining program quality. However, it is the interaction between the teacher and the child that is the most important determinant of high-quality care and education for young children.

Currently, the Day Nurseries Act regulates child care and nursery school programs in Ontario. The DNA clearly sets out minimal standards for the structural features of early childhood programs. Legislation around ratios, group size and health and safety regulations are basic for the provision of quality programs for young children. The DNA, however, has few standards in place with respect to the safety, ethical and professional practice of the early childhood educator. The onus for program quality, according to the DNA, lies in the hands of the operator, with little legislated accountability for the early childhood educator. In addition, the DNA does not address issues related to the professional development and/or continuing competence of the ECE, which are critical factors for high-quality programs.

The Ministry of Training, Colleges and Universities created ECE diploma program standards adhered to by Ontario colleges of applied arts and technology, as well as the AECEO equivalency process. An accreditation committee was formed by the ministry to investigate the accreditation process and accountability for these programs. However, this committee was dissolved in 2001. The ministry currently has no plans to take on the role of accreditation. A recent bill was passed allowing college programs to monitor their own compliance to program standards. With the budget cuts to many post-secondary institutions, there is a growing concern that program hours and placements are being cut, thus jeopardizing and compromising the quality of ECE diploma programs.

Support for a national child care plan has been demonstrated time and again. A recently released survey by the Canadian Child Care Federation shows 90% of Canadians either strongly agree or agree with the statement,

"Canada should have a nationally coordinated child care plan." As well, the Ontario Early Years Study report three years later strongly recommends that the government integrate existing core components, including child care centres, nursery schools, family resource programs and parenting centres, to create early child development and parenting centres and expand capacity so that all young children and their families can participate.

The You Bet I Care study shows the increasing dissatisfaction of early childhood educators in their jobs due to the low wages and lack of benefits, recognition and funding for professional development. Wage grants for early childhood educators working in the regulated child care field were granted subsidies in 1987. However, when these funds were capped in 1994, it meant new programs and staff were not able to access these much-needed monies. It created an inequitable situation among staff and placed the responsibility of meeting pay equity demands on the cash-strapped programs.

In February 1993, the final recommendations of a feasibility study conducted by the AECEO received overwhelming support from parents, guardians and professionals for a registration process for ECEs in Ontario, standards of practice, an accountability function and a voluntary reporting function.

Now, more than ever, there is a need to ensure early childhood educators have the appropriate training, wages, working conditions and accountability to ensure the quality delivery of these services. To protect the public interest and better ensure accountability in the profession, ECEs across Ontario strongly recommend the establishment of a self-regulating body. This would enable the profession to set its own entry-to-practice and registration requirements. It would create an up-to-date registry of early childhood educators in Ontario and establish an accountability process. Legislation would also provide a code of ethics and a set of standards of practice. A mechanism for continuing professional development would also be mandated.

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The DNA sets out minimum standards for structural features that are critical in the delivery of programs for young children. A self-regulating body for early childhood educators can in no way replace DNA regulations. These regulations provide the framework for safe, ethical and professional practice. Rather, a self-regulating body will enhance the quality of care and education for children by giving early childhood educators the opportunity to take responsibility for setting their own entrance, practice and professional development standards. A college for early childhood educators will also provide accountability of the profession to the public.

Therefore, the AECEO recommends that:

(1) Ontario establish a College of Early Childhood Educators similar to that of current professional colleges, with a governing council made up of 55% registered ECEs and 45% publicly appointed members. The college would also address the issue of ECE diploma program accreditation in Ontario.

(2) Ontario fund a comprehensive and cohesive early childhood education and care program that moves away from a targeted system to a publicly funded, integrated and accessible system.

(3) Ontario restore and increase pay equity funding to all early childhood educators working in regulated education and care.

(4) As part of the comprehensive and systemic ECEC program, Ontario set aside additional funding for child care workforce issues such as ongoing professional development, recognition, benefits, and retention and recruitment.

The Chair: Thank you very much. We have two minutes per caucus, and I'll start with Mr Kwinter.

Mr Kwinter: I understand from your presentation that all these recommendations are not in place at the present time.

Ms Sousa: That's right.

Mr Kwinter: Have you done any projections as to what it would cost to implement your recommendations?

Ms Sousa: No, we have not.

Mr Kwinter: So you have no idea what the amount is?

Ms Sousa: No.

Ms Leah Yuyitung: For the universal national child care plan, I believe the Ontario Coalition for Better Child Care as well as the Canadian Child Care Federation have surveys they have put out, as well as a feasibility study on it.

Ms Sousa: I'm sorry. I didn't get your—there are studies in place that project what the cost would be, including the recent report Laggard or Leader? from John Godfrey, that suggests how much money should be spent on such a program.

Mr Kwinter: At the present time, do you deal with children who are under the health care system—for example, autistic children?

Ms Sousa: Yes.

Mr Kwinter: And is that funded separately?

Ms Sousa: No. I believe some programs are funded through Health, but some of the funding for autistic children is now coming out of Early Years.

Mr Kwinter: At the present time, have you had any indication as to whether the government is looking favourably at this, or is this your first presentation on this particular issue?

Ms Yuyitung: Do you mean for establishment of the college?

Mr Kwinter: Yes.

Ms Sousa: We've met with representatives from the current government, and we have received no feedback as to whether they do support it. We've received support from other parties, but not from the present government.

Ms Yuyitung: We also presented this in 1996. I believe there was a Bill 90 presented in the House concerning the establishment of a college of ECEs. So it's not the first time it has come up.

Ms Sousa: It was passed, but once the bill was passed it wasn't given to a committee, and so it died there.

Mr Christopherson: Let me say at the outset that I have great admiration for the work of early childhood educators—just like people who do home care, anything that's personal service, usually in very stressful situations, and who have a direct impact on quality of life. I have just so much admiration, because it's tough work.

Ms Sousa: Thank you.

Mr Christopherson: If people understood how much education and training it takes and how bad the pay is, they'd appreciate that everybody who decides to go into this as a profession is almost a candidate for sainthood, in my opinion.

Just to put it on the record, would you give an outline of what education most graduates have now and what their pay scale is on average across the province?

Ms Yuyitung: I'll speak on that. On average right now in the Ontario college of applied arts and technology, the standard is about a two-year diploma program, but it has been ranging—a lot of people are trying to deliver the program in different ways. They do have fast-tracking, which is about 16-month programs, or distance and correspondence courses, but with a placement component. That is essential to the program standards that are going to be met. Because there is no real accreditation of the programs, there are now currently a lot of other programs that are coming up that the AECEO does not recognize. They're trying to deliver it in six-month programs, as well as correspondence programs that we have heard about and we have looked at that would provide only 10 courses, with no placement.

Again, what we, as the association, recognize is a two-year program or at least that has the components of about 24 courses dealing with methodology, curriculum and behavioural management. As I said, they average about 400 to 500 hours of placement in a setting that is dealing with children, a supervised placement.

With regard to the current salary, the You Bet I Care study that was released nationally across Canada showed that wages can vary from minimum wage all the way to \$25, but the average was about \$11.

Mr Christopherson: Eleven dollars an hour?

Ms Yuyitung: Yes.

Mr Christopherson: We're not even talking 25 grand a year, and these are for professionals.

Mr O'Toole: I also appreciate the work you do, as my wife was an early childhood educator.

Mr Christopherson: Pay them.

Mr O'Toole: I know that served as a very good basis for her end education.

I was just interested in the ongoing struggle between institutional care and home care. I'm on the record as supporting—as the parent of five children, a sort of Ward Cleaver type—more aggressive tax deductions for the stay-at-home parent. I think that's the most important thing today. I don't care which parent, whether they're professionals or not, as long as they are loving, caring, nurturing and provide that early-years support. Institutional care is required in some cases. I understand that.

I'm very impressed with the variety of things that your graduates are doing; as well, EAs in our schools. The question I might ask you is, with the training of two years or more, 25 credits, as you said, and the experience—you've got 500 hours of practical and then perhaps working—do you think there could be a prior learning assessment for early childhood educators, probably in the junior kindergarten or kindergarten area, where you could actually qualify for the larger salaries, the \$50,000-type salary, where you work less; you actually work fewer hours and fewer months?

I'm very familiar with this. I actually have two children—a niece and a nephew. One is an early childhood educator working in Durham College, actually, and the other is working in a school as a primary ed teacher—a general arts degree, I think. I think they're both about the same. With five years' experience, what's all this—do you think your members would be qualified to teach junior kindergarten?

Ms Yuyitung: There was actually a study in the Ottawa-Carleton District School Board, with a pilot project. In about 1998-99, they released some findings to show that the ECEs who were in a JK program had either equal or better results with children in the JK program.

Mr O'Toole: Why isn't it happening?

Ms Yuyitung: The reason it's not happening is that there are union issues in terms of occupational issues, because we are only in a two-year program, as opposed to the College of Teachers.

Mr O'Toole: Okay. That's my question.

The Acting Chair: With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

Mr O'Toole: I figured it was that. It wouldn't have anything to do with ability.

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ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION

The Acting Chair: Our next presentation is from the Ontario Secondary School Teachers' Federation. I would ask the presenters to please come forward. On behalf of the committee, welcome. You have 20 minutes for your presentation. Could you also state your name for the record, please.

Mr Earl Manners: My name is Earl Manners. I'm president of the Ontario Secondary School Teachers' Federation. On my left is Dale Leckie, a member of our staff who is quite aware of education finance, and on my right is Peter Lipman, who is our legislative liaison. You may see him in the hallways of this august location from time to time.

You have as part of our brief a preamble to this presentation, as well as our submission to Dr Rozanski, for your perusal just so you know what we recommended to Dr Rozanski. If you take the time to compare our recommendations with his, you may find it quite interesting. There seems to be a lot of consistency and

agreement among various parties—the government's appointed reviewer of the education funding formula and OSSTF and its members—on what needs to be done.

You can see in our introduction that in our submission we try to emphasize that public education is a public good and must receive appropriate funding to ensure student success, social stability and a healthy economy, that the underfunding of Ontario's public education system must be redressed immediately before further damage is done to our young people and to our society. We had hoped that this task force would contribute to the debate and to furthering the health of our students and our society through the appropriate funding of public education.

We are very pleased with the recommendations of Dr Rozanski and we believe we can work with them. I believe he meticulously documented what many have been saying, including OSSTF, for the past seven years, that public education has been starved financially. Our expectations here today are very simple: reinvest in all aspects of public education now. If you don't believe us, please believe what the researchers are saying. Four recent studies, some of them commissioned by the government, have highlighted and made it clear that it is critical for the government to immediately follow the recommendations of Dr Rozanski and reinvest in our public education system, whether it be Dr Alan King's study on the double cohort, where he also outlined great concern about the implementation of the new curriculum and its impact on the failure rate of students in various programs; or the study done by Dr Andy Hargreaves of six schools in Peel region and what was happening there; or the Ontario College of Teachers statistics on the teacher shortage; and the most recent study that came out just this past week from OISE on the schools that we need.

Let me emphasize that this is not a time for "I told you so." I'm not here to say that. Really it's a time for action, to address the chronic underfunding of our public education system and the consensus that seems to have been reached among researchers, government-appointed fact finders and groups such as ourselves.

From a financial point of view, I'd like to go to the numbers. Part 2 of our introduction just talks about the basic elements of the funding formula and the benchmarks. Dr Rozanski made 33 recommendations, three of which the government acted on immediately, and we were pleased to see that. He also said, though, that the benchmarks used in the funding formula to generate revenue levels for school boards have fallen well behind the actual cost of salaries and supplies, among other things. We believe that those benchmarks have to be addressed in the next budget. Everyone is aware of the fact that the proposal would require an investment of approximately \$1.1 billion just to begin to catch up, that further recommendations totalling about \$690 million or \$700 million would bring the total increase to \$1.8 billion. Although those numbers are widely accepted, what was left out of those numbers was Rozanski's

recommendation that the benchmarks embedded in the funding formula be updated annually to reflect changes in actual costs. This investment was not included in his report or in those numbers. The \$340 million that was provided to deal with issues around benchmarks related to salary, benefits and working conditions was a good beginning, and we are trying to address that money through the collective bargaining process right now. We expect, though, that the government will say that this funding will also serve as the government's attempt to update benchmarks for salaries for the 2002-03 school year.

If that is true, then let me use that as the basis for a discussion of numbers. Right now, that would mean that \$340 million plus the \$270 million for transportation and special education would be added on to the current funding for education, which would bring base funding to \$14,825,000,000. If you add in Rozanski's recommendations for new investment of \$420 million, which is the difference between what was added for special education, and many of his other recommendations, if you accept that Rozanski should be phased in over three years—and we don't, but even if you did, that would mean \$473 million in additional funding and a further \$353 million to update the benchmarks to the current consumer price index, which stands at 3.9%. That's \$1.3 billion just to stay on the Rozanski timeline and just to meet his base expectations.

If you were trying to catch up immediately, so there was no deficit in the funding formula and we had a balanced budget in education, something I know the government is very fond of, it would cost \$2.3 billion in immediate funding—just to catch up; but \$1.3 billion in this current budget coming up just to stay on the Rozanski timeline and meet his expectations.

This doesn't take into account the \$6 billion that the former Minister of Education identified in a presentation to the caucus was needed to repair and maintain our infrastructure, our schools. So there's a long way to go.

I would suggest to you that to deal with that backlog there are a number of things in maintenance and repairs, there are a number of things that can be done to better utilize schools: consider secondary education beginning in grade 7 and going to grade 12; like most western jurisdictions, eliminate the private school tax credit and reinvest it in infrastructure improvements; move to unified school boards so that we have a good public education system in this province for everyone; and speak out against the recent initiative of the Fraser Institute that has Galen Weston funding students to leave the public school system to transfer to private institutions with money from his charitable foundation. This adds a whole new spin to President's Choice. Not only would Galen Weston get a tax break, but the government would be on the hook for further tax breaks to send kids to private schools. It's double-dipping beyond belief and calls into question how a charity can be used for political purposes through the Fraser Institute. But I digress.

I would urge you to consider that as a bottom line if you take Dr Rozanski at his word and you want to follow his time frame, which we would urge that you don't, that you implement it all immediately. But even if you followed his timeline, it would require a total commitment of over \$16 billion in this next budget for elementary and secondary education if we were going to have a balanced budget in education. We would urge you to make that so. I'll stop and take questions.

The Chair: Thank you, Mr Manners. We have nine minutes, and since the government had the one question last time, you're not going to get nine minutes, Mr Kwinter, but you can lead off.

Mr Kwinter: Before I get to your presentation, I wonder if you would just clarify something for me. I keep hearing these different numbers. In your brief you say that the double cohort is going to leave as many as 7,000 students without a post-secondary school placement. In the presentation just a couple before you, we had CUPE say that we won't even see the full extent of the crisis in post-secondary education until next fall, when 35,000 young people aren't going to be able to get into post-secondary institutions. I've been hearing figures of 6,500, 7,500, 8,500; today I saw 35,000. Do we have a real number as to what that's going to be?

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Mr Manners: We're prepared to accept what Dr Alan King has suggested would be the impact. I think it's the most definitive study of the situation. It is non-partisan, in that Dr Alan King was hired by the government to do this study. If we're prepared to accept his figures, obviously the government should respect his research as well since they hired him in the first place.

That's 7,000 for this year, and he did indicate that with failure rates on the rise because of problems with the introduction of the new curriculum and the fact that some students have been forgotten in the introduction of the new curriculum, there could be a further cohort of students next year who didn't take the four years to graduate but took four and a half or five. They are going to have an impact on the number of students looking to post-secondary education in the future. The double cohort is not just a one-shot deal. It is primarily this year, it is true, but there will be a reverberation into next as well. But we accept the number of 7,000 that Dr Alan King identified, and I assume the government accepts it as well.

Mr Kwinter: You've put out a wish list or a shopping list of what you'd like to see addressed. It comes out to an amount of money that I don't think, realistically, you're going to get in this budget. Do you have any priorities? Have you felt, as the OSSTF, that this is the number one or number two or number three priority of things that absolutely have to be done; otherwise whatever problems we have in the system are going to be exacerbated? I don't want to put you in a position where you suddenly—

Mr Manners: Well, number one is that I can't sit here and say we can accept a deficit in education funding for another year. We've gone eight years with continual

underfunding of education, to the point where it has reached a very real crisis, not just a crisis in words, and it has to be fixed. Dr Rozanski, again someone hired by the government, said that the crisis has reached such proportions that they had to reinvest right now. To the government's credit, they did reinvest in special education, in benchmarks to deal with collective bargaining and with transportation. But Dr Rozanski clearly identified what the deficit was, and if we don't get back to the base, to what Dr Rozanski said, what we are continuing to do is to live in a deficit situation, forcing school boards to have to make decisions about which students go forward and which students stay behind.

I would say to you that the \$1.3 billion that we identified is key. Where should it go? Dr Rozanski too identified some critical areas, areas that I think would ensure greater student opportunity.

One of those would be the learning opportunities grant, and that the statistics be updated and the funding allocated based on census material and demographic data that we all agree affect student learning.

We also believe there needs to be a review of curriculum and that students at risk—those in the essentials program or those in the applied programs—get the textbooks and resources that have not been printed to coincide with the introduction of the new curriculum so that they have the same chance of succeeding as do students who are going on to college and university.

Those would be two areas that affect the classroom.

Integration of support services would be the third, where you're ensuring that the school is the centre of the community, a phrase Dr Rozanski coined, and ensuring that some of those services are provided at the school level to assist students who don't park all the problems of society at the door when they walk into a school—assisting students in meeting their needs and assisting teachers in being able to do the job, to teach.

Those are the three areas.

The Chair: Thank you, sir. We move to Mr Christopherson.

Mr Christopherson: Earl, gentlemen, it's good to see you all again.

I was interested to note that you emphasized that 3,300 teachers between the ages of 50 and 54 retired with a reduced pension in 2002, when it first became available, and another 1,450 aged 55 or over also retired with reduced pensions.

I was talking to a number of doctors in Hamilton and every one of them said that they've never had as many teacher and nurse patients—and I notice the next group is nurses—who are off on stress leave. In talking to a lot of teachers who are midway through their careers, quite frankly, all they talk about is wanting to get out. When I think about that, I think about my daughter in her classroom, as all parents do. The most important ingredient in that classroom is the teacher.

If you've got a teacher, like anyone else who is in their work environment, who is not enjoying it, who is not getting the fulfillment that teachers get, we're not going

to get the same results. We're not going to get the same kind of inspiration. I don't fault those individuals for a moment. They're only human.

I just wondered if you could expand on that, whether you're seeing that continuing. Are some younger teachers, getting ready to come into the profession, veering away? I do know other teachers who are recommending to people graduating, "Don't get into teaching. It's not the career it once was; it's not the world that it once was. Don't go there. Do something else." That's anecdotal for me. What is it that you're experiencing and what do you think the implications are for our children and our education system?

Mr Manners: Recruitment and retention of teachers are serious issues. The College of Teachers, in its own studies, has indicated that the teacher shortage is intensifying, especially in certain areas: math, science, French, technical studies, computer studies. Those are key areas and unfortunately it's where we've seen a dramatic increase in the number of letters of permission allowing uncertified teachers to work because they can't meet the demand.

I have presented to this committee in the past and in previous reports information from the insurance industry that shows that LTD among teachers and other educational workers is on the rise as a direct result of the changes in the environment in education over the last number of years. What is also true, and I think you can get this from the Ontario Teachers' Pension Plan board, is that a number of teachers who entered the profession with all the idealism that young people have are abandoning education in their first five years. That's way up. That follows what occurred in Great Britain, New Zealand and Australia when this whole privatization, doing-more-with-less philosophy was introduced there. Ontario is no different.

The bottom line, though, is that one of the best areas for recruitment of new teachers was from teachers themselves, who encouraged their own children to get into education. That's not happening any more.

Mr Christopherson: I would remind my colleagues—

The Chair: You have about 30 seconds, Mr Christopherson.

Mr Christopherson: That's fine. I would remind my colleagues that just earlier today we had—now I'm trying to find where she is; it was Mary, who acknowledged that education was the key to our ability to be productive in the future. And here we are, stomping on the very beginnings of that, which is the enthusiasm and determination and dedication of the teachers. It's crazy. Hopefully, if we don't get this government to change its mind, we're going to change the government. But there's no future in continuing down this road with education.

The Chair: Thank you, Mr Manners. That concludes the time. We appreciate your input, as always, at these committee hearings. Good to see you again.

Mr Manners: Thank you, Mr Spina. See you at the airport again.

The Chair: Yes.

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REGISTERED NURSES ASSOCIATION OF ONTARIO

The Chair: Our next presenter is the Registered Nurses Association of Ontario.

Ms Doris Grinspun: My name is Doris Grinspun and I'm the executive director of the Registered Nurses Association of Ontario. Here with me today is Kim Jarvi, senior economist, RNAO.

We are pleased to present to the standing committee our recommendations for the upcoming provincial budget. This year, there is something new in the air: a sense of hope and expectation that we are about to realize fundamental change, positive change, in our health care system, not just in Ontario but right across Canada. I am referring, of course, to the upcoming health care accord between the federal, provincial and territorial governments following Commissioner Romanow's recommendations. RNAO and registered nurses across Ontario stand by the provincial government in full support to get Ontarians a fair share of the federal funds for health care. At the same time, though, we urge the province to agree to fully invest in the areas targeted by the Romanow report and to agree on accountability. Nurses want Romanow fully implemented, and the budget is the key. Indeed, this is RNAO's top policy priority.

RNAO's position is that health spending is not out of control. The share of GDP going to government spending on health is still below the almost 5.8% share in 1994-95. Also, Ontario's continued economic growth plus the measures proposed by Commissioner Romanow will give the government more room for reinvestment in health. But this potential will be severely undermined if the government pursues activities such as tax cuts that would significantly reduce revenue.

Allow me to highlight RNAO's key recommendations: to improve access to health services, federal funds must be targeted to accelerate primary care reform through community health centres and other interdisciplinary models which engage their communities, and that's key; implement provincial home care programs focusing on palliative and mental health care; resolve chronic access deficiencies in remote and rural communities; and invest in pharmacare. We also ask that Ontario hospitals be provided with operational funds to run diagnostic services like MRIs and CT scans 24 hours a day, seven days a week, and to buy new equipment as necessary, as we operate it 24 hours a day. These diagnostics, in our view, should be used only for medically necessary procedures.

To ensure affordability, RNAO recommends a moratorium on new health care services delivered by for-profit, investor-owned entities. We cannot afford to waste money on for-profit health care, which recent studies show delivers less quality than not-for-profit health care. After an exhaustive search for evidence to support the financial or health benefits of for-profit health care services, the Romanow commission found none. This is not

surprising, considering the money that is lost through administrative and marketing costs, investor relations and profit generation.

RNAO also asks for a commitment to place a moratorium on tax cuts until sufficient revenue streams are generated to meet health and social services objectives. Governments that say they can't afford health care but can afford tax cuts are simply not credible in the view of nurses and in the view of most Ontarians. The profession is most concerned by recent comments by Minister Ecker suggesting tax cuts. At this time, in our view, tax cuts are untimely and inappropriate. If the purpose is to stimulate spending, the net effect will be the opposite once forgone government spending is considered. If the purpose is to attract business, we have to ask if we want the kind of business that would be attracted by an impoverished public sector, and what business we will drive away. Nurses hear from the public that this is not the time for tax cuts; it is time for reinvestment in rebuilding social programs, including, but not only, health care.

We also ask for a moratorium on further public-private partnerships in capital projects and call for value-for-money audits on existing public-private partnerships. These partnerships result in higher government expenditures and mortgage the future of our children. When private lenders front the money, taxpayers are stuck with paying back the loan and service charges over prolonged periods of time. We also lose the advantage of lower-cost government borrowing.

When it comes to accountability, the Ontario public demands it, along with transparency in how its tax dollars are allocated and spent. Ontario residents, like other Canadians, are prepared to fund universal health care, even at higher levels than at present, but they do not want to see their money wasted. They want to know where their money is going, and they want to know what they're getting for their taxes. Thus, adequate conditions and standards must be tied to the flow of monies from the federal to the provincial level of government and from provincial governments to health care providers and users.

RNAO also asks the government to endorse the shift to a transparent Canada health transfer and accept conditions to use federal funds for targeted programs. Endorse the new health council of Canada to audit and report on health system performance. This would give the public comfort that all levels of government are demonstrating full accountability in spending their tax dollars. We also ask you to implement a provincial health care cabinet true to the spirit and letter of the proposed Romanow cabinet.

Just as the health of Ontario's health care system is tied to the implementation of the Romanow report, so too is the health of the nursing profession inextricably linked to a strong health care system. It is clear that the nursing profession needs sustaining. After years of downsizing, layoffs, involuntary shifts to part-time and casual work and scant support for education and input to decision-making, we're making positive progress.

The good news is that when governments work with the profession and put resources into areas that need support, we see results. We have a 127% increase in the number of high school students who have applied for nursing programs next year. Many more are selecting nursing as their first career choice than ever before. The move by this government to mandate the baccalaureate of science in nursing degree as entry to practice and its funding to develop a province-wide recruitment and retention strategy, including marketing the profession, is clearly paying off. We must stay the course. That is why we ask the government to commit increased funding support to sustain and improve recruitment and retention efforts.

The good news, again, is that when government puts more funding into registered nurses, Ontarians get better access to health care. To further improve access, RNAO asks the government to fund 250 new nurse practitioner positions in each of the next four years and reduce legislative barriers preventing nurse practitioners from providing their full scope of services to the public.

We also ask for increased support for the development of province-wide development and dissemination of nursing best practice guidelines. These guidelines have provided provincial, national and international leadership to the nursing community, and we applaud the government for their support.

There is no doubt that we are making progress in the nursing agenda in Ontario. However, we have yet to catch up on past losses of our registered nurses and we still must address acute challenges: an aging workforce, a huge wave of retirements heading our way and retention problems. For example, 52% of working RNs were over 44 years of age in 2001, and the number of RNs registered in Ontario has steadily fallen from about 114,000 in 1994 to about 106,000 in 2001. Ontario's population-per-RN ratio, the second worst in Canada, has risen from 124 people per working RN in 1986 to 147. Ontario is losing RNs in many ways. They are leaving Ontario to work elsewhere, mainly because they cannot find full-time work here. They are leaving to other kinds of work, leaving the profession entirely, and they are retiring, often well before age 65.

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An alarming 44.5% of registered nurses in our province are working part-time or on a casual basis. This means less continuity of care for patients and their families and decreased opportunities for nurses to engage meaningfully with their patients. This leads to disillusionment with the profession. It also means that new graduates, often bearing the brunt of casual and part-time employment, receive insufficient mentoring.

Taken together, this leads to inadequate access to nursing care for Ontarians; higher levels of injuries among nurses, resulting in increased and costly sick time and absenteeism; and premature departures from the profession.

Recent statistics reveal that almost 1,800 fewer registered nurses worked in Ontario last year than the year

before. The consequences are as serious as life or death. Research clearly shows that insufficient registered nursing care leads to increased rates of complications, including infections, and to more deaths.

The good news is that there are solutions to these problems. RNAO urges the government to allocate funds for 15,000 new registered nurses in Ontario over the next two years to return to the 1986 population-to-RN ratio. This will improve nurse-patient ratios. It will allow us to keep pace with departures. It will allow us to save money in overtime, sick time and agency time. It will also allow us to hear satisfied patients and fulfilled and healthy nurses.

Create incentives to ensure 70% of all RNs work full-time and mandate employers to report annually on their progress. Government and the profession have been, for at least the last three years, urging employers to move to 70% full-time employment, and we have not nearly reached those targets. So it is clear to us that we need to put incentives and accountability mechanisms to ensure we reach those targets and they don't just remain as good rhetoric.

We cannot simply produce more nurses and continue to have almost half of them working part-time or casually. We cannot simply increase enrolment and have our graduates leave Ontario because the US offers a full-time career.

Stabilize community nursing and improve continuity of patient care by allocating funds to end the wage disparity and other disparities in working conditions between home care and long-term-care nurses and nurses working in the hospital sector.

Friends, we are experiencing a provincial, national and international nursing shortage. That is why the government must take advantage of the positive image nursing has gained in Ontario—enrolments show that the image is a positive one—and provide further leadership by creating 500 more first-year RN student positions, increasing to a total of 4,500; improving the quality of clinical placements; introducing tuition reimbursement for student nurses willing to practise in underserved areas after graduation—medical students already have it; nursing students must have it as well—and improving access to graduate education for RNs to help provide the public with adequate numbers of advanced practice nurses.

Qualified nursing faculty in Ontario: we expect 23.4% of tenured nursing faculty to retire between now and 2005. Who is going to teach our students? The situation will only worsen, since 90% of the faculty is over 45 years of age. That is why we urge the government to allocate annual funds to support an additional 40 nursing faculty to attain their doctoral education in each one of the coming four years.

In closing, let me emphasize that registered nurses want to provide patients with the quality of care they need and deserve. They want and they're educated to do so, but they need help. We know that by working together—government, the association, employers and

nurses across the province—we can not only face our challenges, but we can indeed provide national and international leadership.

Thank you. We will be happy to answer your questions.

The Chair: Thank you, Ms Grinspun. We have time for one question, and I stress one question only, from each caucus.

Mr Beaubien: Thank you very much for your presentation. I'm going to make a quick statement, because we have a shortage of time.

Ms Grinspun: And of nurses.

Mr Beaubien: I know you're going to disagree with me. You talked about inadequate access to nursing care, and yet you are a professional agency that supports this government in restricting the access of young people into the nursing program by stating that you must have a bachelor's degree now. So you talk about an inadequate supply of nurses today, whereby a lot of nurses today had diploma courses; now, starting September 2005, we're going to say, "No more. The only people who enter the profession will be people with degrees." How can you solve the shortage of nurses by being so restrictive?

Ms Grinspun: Mr Beaubien, as our submission indicates, as I stated to all my colleagues here and as I have discussed with you personally many times, the baccalaureate entry to practice is not only necessary for the type of care patients require, but actually has resulted in a 126% increase in enrolment in nursing schools. The problem is not the baccalaureate entry to practice. That has been an incentive for attracting people into nursing. The problem is the 44.5% of people who are still working part-time or casual because of lack of employment opportunities in this province. Government and the association must continue to push employers and must put incentives to move to 70% full-time employment, which is what the entire community across this country is demanding.

Mr Kwinter: I'd just like a clarification. There's no question in my mind that there's a shortage of nurses. I've had family in the hospital over the last couple of weeks, and it's absurd, the lack of care they've been getting. I just don't understand your mathematics. You're saying you require 15,000 additional nurses over the next two years. In a practical sense, how are you going to get them? You're calling for 500 new nurses a year. For you to get to 15,000 in two years—

Ms Grinspun: Very easy. When we worked together with this government in the past, we reached 8,000-and-change nurses. We have a discrepancy in the numbers; we believe it's 8,000. But that's a very respectable number. We can attract the 15,000 by moving to 70% full-time employment and by the huge increase in enrolment we have, by improving working conditions so people don't retire well before 65 years old and by decreasing the number of people who leave the profession. So it's doable and we need to do it together.

Mr Christopherson: Thank you for your presentation. I note that right in your first recommendation you

make reference to accelerating primary care reform. The government has talked a lot about this but we don't seem to be seeing a lot of action. Can you give us your sense of why the delay in implementing primary care reform?

Ms Grinspun: Absolutely. Number one, the federal government has not released the funds that were allocated to primary care. Number two, we have between 90 and 100 community health centres waiting for government to make a decision. I surely hope that a significant number of them will indeed be considered for primary care, because the communities are ready. It's not an issue of human resources. It's not only an issue of doctors. We still have a significant number of nurse practitioners who are underemployed or unemployed and will be eager to go tomorrow to community health centres or other interdisciplinary models that open. So to me it is an issue of, put the funding out, let the models evolve, and we will all be there to serve the public. That's what we should do, and we should do it immediately.

The Chair: Thank you, Ms Grinspun. We appreciate the presentation from your organization.

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COLLEGE STUDENT ALLIANCE

The Chair: Our next group is the College Student Alliance. I ask you to get in place. I believe you have a video that is cued up. I would ask that you identify yourselves by name when you speak so that Hansard can accurately report who has spoken. In addition, you have a total of 20 minutes. If there is any time left over from your presentation, then we will try to get questions in from each of the parties. Welcome and please proceed.

Ms Thyagi DeLanerolle: We're going to try to position this for the best possible way of seeing it.

The Chair: Before you start, tell us who you are. Then you can show that. It won't be picked up by the cameras, just so you know.

Ms DeLanerolle: First, to begin with, my name is Thyagi DeLanerolle. I'm the executive director of the College Student Alliance.

Mr Jon Olinski: My name is Jon Olinski. I'm president of the College Student Alliance.

Ms Valerie Rothlin: My name is Valerie Rothlin. I'm the finance adviser for the College Student Alliance.

Ms DeLanerolle: Actually, Valerie, if you can put this—

The Chair: Stand it up over here on the chair. You can see it and committee members can see it. Please proceed.

Ms DeLanerolle: We're going to start things off from the College Student Alliance. First off, the College Student Alliance represents 150,000 Ontario college students. This video you're going to see is of one particular college student from Centennial College. It's her position on student financial aid. She's on OSAP and she's a single mom. So we'll start with the video.

Video presentation.

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Ms DeLanerolle: Now we move to one of the many college students we actually represent, and Jon is going to start things off this afternoon.

Mr Olinski: The College Student Alliance would like to thank the standing committee on finance and economic affairs for allowing us to provide recommendations relating to college education and to raise the concerns of college students across the province.

College education is of vital importance to Ontario, as well as to society as a whole. Post-secondary education allows for Ontario's residents to be productive members of society and contribute to Ontario's economy. Individuals with post-secondary education work in the main sectors of the economy and through higher salaries sustain government revenues through taxation.

CSA would like to raise three specific issues that are of great importance to the success of the college sector within Ontario: reform to student financial aid, transferability and quality of education.

In relation to our first area of concern, the College Student Alliance has made the following recommendations, which have been endorsed by the Ontario Advisory Committee on Student Financial Assistance.

Recommendation (a): The Ontario student loan criteria for independent student status must match the criteria under the Canada student loan.

Recommendation (b): The minimal parental contribution requirement from parents with no discretionary income must be eliminated from the Ontario student loan needs assessment.

Recommendation (c): The inability appeal, in which parents can appeal the amount they need to contribute to their children's education, must be reinstated.

Recommendation (d): OSAP needs assessment must recognize program-related expenses as eligible expenses and provide adequate financial assistance to students to cover these expenses.

Ms Rothlin: Picture this: a student walking into a student financial aid office, a little anxious, a little excited about the prospect of their future. They sit down with their financial aid administrator to find out that they do not qualify for the Ontario student loan because under the eligibility requirement they must have been out of high school for four years or have been working for two consecutive periods of 12 months.

To know that you qualify for one set of loans and do not qualify for another set just doesn't make any sense. Although this may seem like a small detail to change, it would impact thousands of students across Ontario.

With regard to item (b), how fair is it for the government of Ontario to expect parents who have no discretionary income to still contribute 3% of their gross annual income to their child's education? So if you're on welfare or you have a meagre pension fund as your only source of income, you still must contribute 3% to your child's education. Oftentimes, families in those types of positions view post-secondary education as a luxury.

This year, with your help, this injustice can be eliminated.

With regard to item (c), there are families who fall under this middle-income bracket who truly and honestly cannot afford to pay for their child's education. OSAP used to have an inability appeal mechanism which helped these types of families access assistance.

Ms DeLanerolle: I'm speaking about the transfer of credentials. It is really important for my college credentials, as well as the college credentials of Valerie and Jon as well as many other students, to be recognized and given credit by the Ontario colleges as well as universities. It is essential that the provincial government recognize and commit political leadership to the establishment of an efficient and transparent protocol for credit transfer, one that works for students and institutions.

As it stands, the lack of co-operation between post-secondary institutions is hindering any kind of advancement in the establishment of a transfer system. The provincial government has a responsibility to lead the province's institutions in transfer protocol discussions through the College-University Consortium Council. Only with positive working relationships between all publicly funded post-secondary institutions can the CUCC then be successful in providing increased educational opportunities for students, a goal that's relevant for all parties involved, including students, the government and institutions.

With regard to quality, students firmly want to support the colleges asking for an increase in per-student funding. Tomorrow you'll be hearing from the Association of Colleges of Applied Arts and Technology of Ontario, ACAATO, regarding the increase in per-student funding to bring it up to the 2003-04 request of \$5,751.

When students ask for this increase in funding, we're simply referring to quality. As tuition fees steadily increase, colleges are offering a lower-quality product—no fault of theirs. They are honestly strapped. Through accountability mechanisms like the key performance indicators, colleges have identified areas of deficiency and made remarkable improvements in their operations.

Students are concerned with the current realities of their community colleges, and they are as follows: larger classroom sizes; increasing classes during night school; not enough lab and study space; limited and out-of-date library resources; longer line-ups, which relates to not enough support staff; increasing part-time faculty; out-of-date technology; inability to hire higher-credentialed faculty; and the list goes on.

In conclusion—and I think I speak for the other panellists here—today's students are tomorrow's workforce and leaders. Government needs to address the issue of financial aid, transfer between the college and university sectors, as well as quality in the classrooms, in order to ensure Ontario has a prosperous society and an economy for tomorrow.

We're now open for questions.

The Chair: There are only about two minutes, but we'll begin with the government.

Mr O'Toole: I'm always pleased to see students being activists and I encourage you to keep it up. That's really what it's about.

There were a couple of articles in the paper recently. I don't know if you saw Christina Blizzard's article, making the college point actually very strongly, suggesting that they have been doing more with less for some time. I think that might be the case. I think they've been more innovative in terms of—if I look at the newest university in Ontario, the University of Ontario Institute of Technology in Durham, I think it's a very important blend for, as you said, transitioning or transferability between college and university, and creating opportunities for linkages between them. I think it's extremely important.

I was just reading an article recently—it's actually part of the platform of the federal Liberals—on changing the Canada student loan process. I don't know if you've followed that very much, but Sheila Copps, in her leadership, is saying that she would scrap the Canada student loan as it is and go more on a needs basis.

Governments need to listen to suggestions, and this is your chance to put it on the record.

Ms DeLanerolle: I think she was referring to having an upfront grant system and to have, as opposed to a loan system, perhaps a combination of loans and grants to be able to decrease the student debt. Of course, as college students—like, I'm sure, post-secondary students—we're definitely supportive of that.

Mr O'Toole: Actually, it's my understanding that when you get OSAP, it's all grant over and above \$7,000.

Ms DeLanerolle: That is correct.

Mr O'Toole: The maximum annual is \$7,000.

Ms DeLanerolle: That's correct.

Mr O'Toole: I hear students coming forward and saying they have a debt of \$30,000 or \$40,000. As a parent of five children, my kids got not one cent. We're average dudes. We make less than basically a school principal or a teacher. They worked. If they took 20 hours of lectures, I expected them to work 10 hours, voluntarily or otherwise. Don't you think there is some responsibility on the student to partake in the world of work? I'm not trying to be smart.

Ms DeLanerolle: Certainly I think there has to be some responsibility on the student, but not forsaking their educational responsibilities.

Mr O'Toole: Of course.

The Chair: Thank you, Thyagi, Valerie and Jon. We appreciate your time and preparation to come here today.

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ONTARIO FEDERATION OF LABOUR

The Chair: Our last delegation is the Ontario Federation of Labour. Good afternoon, Mr Samuelson. Welcome. You know you have 20 minutes. If you leave us any time, then we have two parties here that will be happy to ask questions of you.

Mr Wayne Samuelson: First of all, thanks for giving me a few minutes. This is always a high point of the year

when I have an opportunity to speak to my elected officials. I'm disappointed Mr Gilchrist isn't here because he usually makes it even more enjoyable.

I'm probably going to surprise you a bit, because on many of the issues we've raised in the past, you've seen the light of day and moved on them, everything from rolling back corporate taxes and, of course, Ontario Hydro. I do know that Sid Ryan and Earl were here earlier today. I'm sure they gave spirited presentations.

What I want to talk about today is a little bit different than in the past. While you will have a brief, which we of course have prepared, I'd like to ask you not to spend all your time reading it, circling things, because I'm actually going to talk about something different.

On December 6, I visited a community in northern Ontario called Sturgeon Falls. It's a community where the mill has closed down. It's primarily a single-employer town. Frankly, I've been to way too many of these single-industry towns, especially in northern Ontario, where there are huge impacts on the community because of the actions of an employer.

I have with me Joel Carr, who is the administrative vice-president of the Communications, Energy and Paperworkers Union. As you may know, working with all political parties, I would add including the former Premier, this union has worked hard at trying to save jobs and provide some kind of support and help to these communities. Joel has been working on this file and other files in northern Ontario, and when I was at another meeting this morning, I thought this might be a good opportunity to put on the record some of the actions specific to this case that the government needs to do. Joel will tell you that he wrote to the Premier last December and I guess the Premier hasn't got around to responding, which is unfortunate because this impacts 100 families and a whole community. I'm going to let Joel talk a little bit about the situation in Sturgeon Falls. I want you to keep in mind that it's reflective of many northern Ontario communities that are dependent on single industries.

Mr Joel Carr: Mr Chair, if there are any protocol issues I need to follow, please feel free to interrupt me, because this is my first time to do a presentation to your committee and I appreciate the time.

Of course, we all know what jobs mean to people and certainly what economics mean in terms of communities in general, but in small—and I shouldn't even use the word "small"—what I call northern communities, communities that are important to each one of us and communities that are in fact the gateway to a large amount of economic growth, economic stimulus and economic development in Ontario.

We all know that Ontario has been blessed with natural resources and, through the history and through the interaction of governments—past governments and hopefully this government—that understand the role of government in terms of appropriately stimulating and fostering—he's just telling me it's 10 minutes. I want to set the framework. All right. Let's just get down to business.

Listen, there are a number of things that need to be done across the board. We could talk about fibre allocation issues we're having in the Kenora area; we could talk about fibre allocation issues in northeastern Ontario; we could talk about how we can utilize hydro in a creative way to attract business in a way that helps in terms of the overall hydro issue, but, more importantly, helps stimulate and target particular employment in particular regions of this great province.

Sturgeon Falls: one of the things that's important for us to understand is that Sturgeon Falls has had a paper production facility for over 100 years. Since 1919, it's been steadily employed. I think there was a closure during the 1930s. The Honourable Premier Harris wrote a private member's bill in 1991, I think it was, to allow for the local economic development corporation to invest, to come into a limited partnership with then MacMillan Bloedel. Through that \$12-million investment, we were able to then convert this facility from a virgin fibre facility into an OCC or old corrugated cardboard facility, completely recycled. Again, this is the nexus of where we need to go with some of the new economy.

Another interesting part in terms of the recycle issue—and it's interesting that many of the northern—which I call the near-north—I've been taught that once you get above St Clair, that isn't necessarily the north; you've really got to go way on top of the French River. If you really want to be in the north, you've got to be way up in Marathon. To make a long story short, this particular issue with Sturgeon Falls interacts with the OCC recycling. In fact, there's a problem now with where to go with the cardboard in northeastern Ontario, because in fact Sturgeon Falls was there. It has to do with hydro because there's a hydro dam there that's owned by Weyerhaeuser Corp. But again, the covenants and all the surrounding permits flow through the power of the people, through this government. So you have a nexus with that. You also then have a series of fibre allotments that are going into other provinces and, in my understanding, into the United States. And we have a city—a great city—called Sturgeon Falls that's in need of the help of this government to get things moving.

One of the most disturbing factors in this particular case, and where I think we need to start first, is what we can do to motivate Weyerhaeuser Corp to act co-operatively with the various agencies they had already set up and in place, to act co-operatively with the community and to act co-operatively with the union so that in fact if we find someone interested in buying this facility, in investing capital back into Sturgeon Falls, that Weyerhaeuser will not create a black hole because of their own narrow corporate interests. This really is the most important first step that I would ask this government to do.

Many of you have been aware that CEP has acted very progressively in terms of turning around facilities, specifically in northern Ontario and northwestern Ontario, into profitable facilities. We've been able to come to the table and do the things that a union needs to do in terms of changing and modifying collective agreements and other aspects of an employment nature so that in fact a solid

business plan can be put into place. We're not afraid to do that. The community isn't afraid to come forward.

What we ask now is the help of this government specifically to ensure that Weyerhaeuser comes and acts co-operatively in a positive manner, to say, "Listen, there's not going to be a big deep hole in Sturgeon Falls. If there's somebody out there to buy this, we're going to actively help and promote the sale of this facility. We are not going to dismantle this facility. We are not going to throw up barriers in terms of getting feasibility studies." There is in fact federal money available today—\$30,000 plus; that's the contract—for a feasibility study to find out what kind of business plan, what can we do with the Sturgeon Falls facility. And Weyerhaeuser says no.

We have a letter of intent from a buyer. I've met with other buyers. People are interested in Sturgeon Falls. People want to put capital into northern Ontario. But Weyerhaeuser to this day has not complied with their own words that they gave to us.

So I plead with you—I guess "plead" is the proper word. I ask for your intervention. I would ask that the Honourable Premier get involved, that we move forward so that the economic development corporations and the various economic assistance organizations you have set up in the province are actually allowed to do their jobs. To allow them to do their jobs means that the exiting multinational, American-based Weyerhaeuser Corp, deals in an honest, fair approach with the community, with the union and with the various government organizations.

Frankly, I am shocked that there is such an interest from people who want to put capital into this town and we're running into interference from a company that frankly walked away and abandoned it. Weyerhaeuser gave the minimum amount of notice, they violated their contract—at least, we're asserting they violated their contract, through the lawsuit where we've asked to be in partnership the West Nipissing Economic Development Corp. The judge, in a ruling on an injunction, did in fact find that there are good grounds, that the West Nipissing Economic Development Corp's contract was violated by Weyerhaeuser. We were asking for something else and the judge didn't think he could go as far as the city wanted him to go, but he did find that there was a good cause and there was a *prima facie* case.

So now what we need is to go the next step further, and that next step further is to use the good offices of this government, the good offices I ask of this committee, to do two things. In the short term, one is to do what we can to get Weyerhaeuser on track, do what we can to look around this province and see what we're doing for Weyerhaeuser, certainly in terms of the large amounts of limits they have in northwestern Ontario, and also for us to wrap ourselves around the best way for this government to make the next step. You have an infrastructure; I think the next step needs to be actual interaction by government officials at the Premier level and the sub-Premier level, ie, ministers, to interact directly with multinational corporations so that they say, "Listen, Ontario is a great place to go."

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We have buyers. We have a buyer with an intent; I have another buyer ready to go, and we're talking capital. We're talking capital ready to go. I don't think Weyerhaeuser's intransigence should get in the way. I think that's important for this government to do. That's why I'm here. That's why I think we can do something. We can get new jobs, new investment into Sturgeon Falls, but there's a problem. The problem today, in my view, is Weyerhaeuser not co-operating with the various economic development organizational structures, both federal and provincial, that are organized locally—to actually let that organization do what it did in 1990 and 1991.

I know that Premier Eves is very familiar, because Sturgeon Falls was in his old riding before the reorganization. It's a riding which now falls under Mr Ramsay. In fact, Sturgeon Falls goes back to the Honourable Mike Harris, who wrote a private member's bill to allow that plant to grow.

So I'm asking you. I think this is a winner, but we need to make sure this government comes to the table and uses its influence, and the fact that it's a very solid, well-thought out influence—in fact, there are people with capital who want to put a business plan together, but they can't do it until they get access to the plant. There won't be a business plan if that plant is slowly dismantled, piece by piece, while we sit and wait.

Rome is burning out there. I ask for your help, your intervention. I ask for your intervention, at the highest level of this government, with Weyerhaeuser to get them actively involved so that this community, these workers and these families can have the economic enjoyment of the resources that are all around them, which will flow to other places while they don't have a job, and while West Nipissing is drained, and while that small but great community—Carl's; in fact, the coffee is so good at Carl's, they drink it themselves—can grow.

Mr Samuelson: Just to wrap it up before we allow questions, I think what I found most disturbing was when I visited Sturgeon Falls. For some reason, when this was in Mike Harris's riding in the early 1990s, the Tories seemed to have a real interest in it. There was a restructuring that took place at that time which saved that factory. When I visited there in December I found that, as has been indicated, there are people who want to actually buy this place. They want to invest capital, and CEP has been working to find them. Weyerhaeuser, for their own interests, has not been co-operating.

I'll leave you with a copy of the letter that Joel's office sent to the Premier on December 20. If you happen to bump into the Premier somewhere, it would be really helpful if he at least responded to the letter so that we could get some action on this. It's incredibly painful to go there and talk to people who can't move because of their age and who just can't seem to get a response from the government.

I thought it was important, because of my personal involvement in this issue and because of the work CEP

has done, to use my time here today to try to get the government to respond.

The Chair: Is that it? Thank you. That leaves us with two minutes for each of the opposition caucuses. Go ahead, Mr Kwinter.

Mr Kwinter: Unfortunately, this committee does not have the mandate to deal with that problem. This is the standing committee on finance and economic affairs and it is really doing a pre-budget hearing on what should be in the budget. I am very sympathetic to your concern. I don't know all the issues. I certainly don't know whether it's fibre allocation, whether it's a corporate decision that has been made by the company or a competitive situation. Whatever it is, we don't have the ability or the mandate to even deal with it. I would suggest that you have to talk to the government and the ministers who are responsible to see if there's any interest on the government's part to intervene. As I say, as a member of the opposition I have no role to play in this. I'd love to have a role to play in it, but I don't. I want to let you know that it isn't because there is indifference to the situation; this just isn't the forum to address your concerns.

Mr Samuelson: I understand that, and we have provided you with a written brief. It may not be a concern to you; I understand that. It's certainly a concern to—

Mr Kwinter: I'm not saying it's not a concern to me. I'm saying I don't have the ability to address your concerns.

Mr Samuelson: Well, it's unfortunate. The MPP up there, Mr Ramsay, has been doing a lot of work on it. And maybe it is a bit of a frustration, but after over a month of waiting for a response from the Premier, we thought there might be some Tories here who talk to him from time to time and there might be an opportunity to put it on the record.

Mr Kwinter: These guys over here.

Mr Samuelson: Yes. Put it on the record. I know that especially Mr O'Toole, who I'm sure is really interested in this, will make some calls and maybe we can get some action.

Mr Carr: Can I respond, Mr Spina?

The Chair: All right.

Mr Carr: Listen: this union is going to go everywhere and anywhere to make this thing work in Sturgeon Falls. If it is inappropriate to be here and it's a little bit off base—frankly, it might be, but I'll tell everybody here that we ain't going away. We're going to do everything in our effort to make sure that we get a plant in Sturgeon Falls. All right? That's why I'm here. And any opportunity to interact with this government and the opposition parties on Sturgeon Falls—that's how strongly we believe in it, because we know we can make it work. We know there are people out there who want to invest money into that town, but we need co-operation and we need a vision. Only the government can do that, and you folks are the government.

Mr Christopherson: In fairness, Mr Kwinter's comments are absolutely correct. Likewise, though, the OFL

is entitled to come here whenever we do these things. You presented a brief that talks about the issues. If you decide to use your time talking about a specific issue, that's pretty much your call and your right and, hopefully, one of the Tories here might take it upon themselves to see if they can give the process a nudge.

I had a question with regard to this. The local government, are they onside? Do they play a role? Have they involved themselves in this?

Mr Carr: Yes. I've had several meetings with the community of West Nipissing, both with Mayor O'Connor and more specifically with the CAO. I feel that they've been acting co-operatively, but one of our biggest problems is that you need the feasibility study. We need access to the facility itself, and that's where the municipality has been running into problems. That's where FedNor, the federal economic development wing, has been running into problems, and there is the special assistance—I'm trying to think of the name of the Ontario structure that was set up specifically for that, the "something something adjustment." I'm not talking about workplace adjustment or community adjustment structure. There's a committee that they sit on, that FedNor sits on, that the municipality sits on, and they've been wanting to—we've got money for a feasibility study. Weyerhaeuser won't open the door yet. I apologize. I'm trying to think of the name of it, but it is in fact—

The Chair: It's not the heritage board?

Mr Carr: No, it wasn't the heritage board. It's "something" community adjustment program, to \$5 million per project, focused on this particular city. So there's money there, the brains are there, there's the muscle of the local community and there's the union that wants to play. It's just that there's a major multinational corporation and somebody needs to give them a nudge and say, "By the way, play fair with the community of West Nipissing."

The Chair: Thank you. You have it clearly on the record. I'm sure you appreciate that Mr Samuelson has given up their time for this case.

Mr Samuelson: I know the time is up, but this is somewhat emotional because there's an election coming and some of you may not be here. So I just want to say, for those of you who may be leaving, how much I've enjoyed—

Mr Beaubien: Think about what you just said. None of us represent northern Ontario. Think about what you just said. How much sense does it really make?

The Chair: Hang on. Order. Let Mr Samuelson finish.

Mr Beaubien: None of us are from northern Ontario.

Mr Samuelson: So you don't care about it? That's pretty bizarre. I thought you were part of the government.

My point was that I must say I've enjoyed my visits here every year.

The Chair: Thank you, Mr Samuelson. Thank you, Mr Carr.

Mr Carr: I'm serious.

The Chair: The meeting will now adjourn until 9 am tomorrow morning.

The committee adjourned at 1600.

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of Ontario**
Third Session, 37th Parliament

**Assemblée législative
de l'Ontario**
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Mercredi 29 janvier 2003

**Standing committee on
finance and economic affairs**

**Comité permanent des finances
et des affaires économiques**

Pre-budget consultations

Consultations prébudgétaires



Chair: Joseph Spina
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Wednesday 29 January 2003

Mercredi 29 janvier 2003

The committee met at 0901 in room 151.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Joseph Spina): I'm going to call this meeting of the standing committee on finance and economic affairs to order.

CANADIAN MANUFACTURERS
AND EXPORTERS

The Chair: Today we have presentations from the public, and our first presenter this morning is the Canadian Manufacturers and Exporters. I would ask that you give your names clearly when you begin for the purposes of Hansard. Welcome, gentlemen.

Mr Ian Howcroft: My name is Ian Howcroft, and I'm vice-president, Ontario division, of Canadian Manufacturers and Exporters. With me is Dave Penney, director of taxation for General Motors of Canada. Dave is also the chair of our taxation committee. Hopefully with us very shortly will be Joanne McGovern, our senior director of policy, who will have our submissions that we will leave with you.

We appreciate the opportunity to present to you this morning. We will be providing you with a copy of our submission and a copy of our submission on the electricity market, which we will also touch on briefly in a few moments.

I'd like to say a few things about manufacturing and exporting and about the CME before we make our budget recommendations. Our recommendations deal with targeted tax reform and some non-direct tax issues.

Canadian Manufacturers and Exporters is a horizontal association with members from all sectors of manufacturing and from all regions of the country and the province. Our members are also very diverse when it comes to size, from the very small to the very large; however, most of our members are SMEs and most of those have fewer than 100 employees. It's important to note that our members produce approximately 75% of the country's, and the province's, manufactured output and are responsible for 90% of our exports.

It's the manufacturing sector that drives the economy. Over one million individuals work directly in the manufacturing sector, and about two million more have jobs that are dependent on a strong manufacturing sector.

Manufacturers account for approximately 22% of the country's GDP and drive over half the country's economic activity. Further, most manufacturing jobs offer full-time employment and are at wage rates that are far higher than the national average. The manufacturing sector is also responsible for three quarters of Canada's private sector R&D and 30% of annual business investment.

Canada's economy, and particularly Ontario's, is heavily dependent on exports. In fact, we are now our second most important market. About 75% of what we produce in this country is exported, and I think everyone here realizes that 85% of what we do produce is exported to the United States. Consequently, to sustain our economy and the social programs of which we are so proud, we need to be as competitive as possible.

An important part of our competitiveness is based on our tax system. Notwithstanding the productivity improvements that we've made over the last few years, we have not kept pace with our competitors—again, and particularly, the United States. Each year, CME conducts a competitive analysis, and it is disappointing to note that we have come in last of all the G7 economies. The low Canadian dollar has helped our competitive position, but we must address the fundamentals if we are to thrive in the long term. Consequently, two of the issues we will address in our submission are skills and energy.

We are currently experiencing a skills shortage in this country, and, because of demographics, it will get much worse before it gets better, so a coordinated strategy is necessary. We need to develop the skilled workforce that will allow our economy to grow. It's a multi-faceted issue that cannot be addressed in a silo. There is a role for the individual, for business and for the government, including tax credits for supporting training.

The other major issue we will raise pertains to the electricity market. Our economy is dependent on having access to a reliable, secure and affordable supply of electricity. CME has long supported the need for an open and competitive electricity market, but the open market is now threatened. There is much confusion, uncertainty and a lack of understanding. Some of these problems can be solved by education and awareness, but it is also a time for decisive action and leadership on behalf of the government.

The announcements of November 11 have caused many to question the future of the open market. Our submission provides recommendations that support and

lead to the creation of a real and functioning open market and also provides solutions to deal with the immediate problems and ensure equity for all participants. Again, we will be providing you with copies of the submission we made to the Minister of Energy earlier this week.

Finally, I want to emphasize the fact that CME has supported the government's direction of tax cuts and stress that this direction must be continued. As has been noted, such cuts have helped to create over one million jobs in Ontario over the last six or seven years and have stimulated enormous economic growth. We were very disappointed last year with the announcement to delay the tax cuts that were expected this month. In our view, that decision was harmful to the economy and it is now time to return to the stated direction that has proven so successful in the past.

We will now turn to the recommendations in our submission, and I'd ask David to make some opening comments.

Mr David Penney: First of all, CME commends and continues to encourage the government to take action on debt reduction. We are pleased that the government continues its commitment to this priority. CME members strongly believe that paying down the debt and reducing the debt-to-GDP ratio in Ontario is essential to the future economic health of the province.

The Ontario government must develop a solid tax reform strategy for 2003 and beyond in order to capitalize on measures introduced in the 2000 and 2001 budgets and to achieve long-term economic development and employment growth. The level of the Ontario tax burden continues to be viewed as an unnecessary and unproductive cost of doing business and a major impediment to attracting new investment and sustaining economic growth.

First of all, capital tax: in the 2001 budget, the government made a commitment to begin eliminating the investment-unfriendly capital tax. The first step the government took was to increase the taxation threshold to \$5 million from the current \$2 million of taxable capital. In the 2002 budget, the government did not announce any further action on capital tax. This was a disappointment considering the limited threshold increase to \$5 million announced in 2001, and it was not enough to stimulate essential investment in the province. However, in the 2002 budget the government did restate its commitment regarding capital tax and promised to introduce measures toward eliminating it in the next budget. CME strongly encourages the government to take the next steps and legislate full elimination of the capital tax quickly and completely.

The capital tax continues to act as a direct disincentive to the ownership of capital in Ontario. Once again, such a punitive measure is completely at odds with the overall message of the Ontario government. Ontario should abolish this tax, as it puts Ontario investors at a disadvantage compared with our US competitors. The Ontario capital tax, and for that matter the federal capital tax, is a

deterrent to investment necessary to increase Ontario's productivity.

CME further urges the provincial government to press the federal government to eliminate its capital tax. This would also benefit Ontario-based companies vis-à-vis their competitors outside Canada. OECD studies consistently illustrate the direct relationship between productivity losses and the lack of capital investment. The capital tax is also a regressive tax. It is a fixed cost and was discredited by both the OECD and the Mintz reports. We strongly recommend that the government abolish the capital tax.

Secondly, our members recognize that a capital recovery system such as the current capital cost allowance is an important element of the Ontario tax system. The CCA regime has been comparatively advantageous in the past; however, the system no longer compares well with other markets. Tax measures to enhance capital investment would result in increased employment and greater economic growth in the province. In our view, this is undoubtedly a competitiveness issue. Many competing jurisdictions, such as Quebec, offer M&P capital investments at 125% depreciation in the year the expenditure is incurred.

We recommend that the government introduce a more favourable capital recovery regime that would apply to new M&P equipment and to M&P equipment not previously used in the province. This could be accomplished by expanding the existing 30% Ontario current cost adjustment currently applicable to pollution-control spending to include M&P equipment and granting a two-year write-off through the existing CCA system.

In summary, we recommend that you enhance the capital recovery system by broadening the OCCA to include M&P equipment and accelerate the CCA to provide a two-year write-off for M&P equipment.

0910

On the personal income tax front, members were disappointed with the government's decision in the 2002 budget to delay action to address the personal income tax surtax. The government had promised in the 2001 budget to increase the personal tax threshold above which surtax becomes payable in order to eliminate the first tier of the current two-tier tax system originally effective January 2003. This will now be delayed for one year.

Personal tax reductions encourage Canadians to invest in education, careers, entrepreneurship, financial investments and a lifestyle supporting the Ontario economy. In acknowledgement of this, the government should be commended for the positive steps it has taken in reducing some of the personal tax burden on Ontario taxpayers over the last several years. CME encourages the government to proceed with these measures by legislating the reductions announced in the 2000 budget, as well as undertaking full indexation to inflation and proceeding with the complete elimination of the surtax on all income levels.

With respect to corporate minimum tax, CME continues to view the corporate minimum tax as a strong

disincentive to potential industrial investors in the province. This tax is highly visible and a clear disincentive to investment. The corporate minimum tax currently raises little revenue, is a nuisance to taxpayers and is a strong disincentive to investors. The tax sends a very negative message to those who make corporate investment decisions. Ontario should abolish this tax because it is a highly visible disincentive to investment.

Ian, would you like to expand on electricity?

Mr Howcroft: I think Joanne is going to do that. She's joined us.

Ms Joanne McGovern: We have made presentations to the Minister of Energy, Mr Baird, as well as the Minister of Enterprise, Opportunity and Innovation, and also Minister Ecker earlier this week. As Canadian manufacturers and exporters are significant users of electricity, CME has been very supportive of an open, competitive electricity market in Ontario. However, with the recent policy decisions on November 11, CME and their members have been questioning the intent of the government, whether they're truly committed to an open, competitive market, primarily because of the rate freeze of 4.3 to 50% of the residential or retail sector.

We have made recommendations to the government. Because of this uncertainty, because of the situation with the supply, which is lacking right now in Ontario, we have recommended to the government that they offer the 4.3 to all industrial users, but not necessarily into the 2006 time frame, only until such time that there are adequate supply reserves in the market so that industrial consumers can ride the spot market with confidence that there will be supply and there will be a regular demand-supply balance. We've also made some recommendations to continue the market mitigation power agreement so that industrial users do get the rebate, which is calculated by the power monopoly of OPG.

We've also made some recommendations on how to encourage demand-side management and conservation in our submission, which I can provide to the committee if you're interested.

Just to wrap it up, electricity is one of our key issues, so we did want to bring it up in the standing committee consultations.

Mr Howcroft: There are some other administrative recommendations we made in our submission and we deal with a couple of other things, but mindful and respectful of the committee's time, we will cut off there and allow for your questions.

The Chair: Thank you, sir. That leaves us with less than two minutes per caucus. We'll begin with the government.

Mr John O'Toole (Durham): Thank you very much for your presentation and covering the high points of a number of important policy discussions, which I'm sure you've had directly with the ministers. It's a pleasure that this committee is here to hear it.

I just want to reinforce a couple of things. The corporate minimum tax, we haven't actually heard that, but we have heard from most of the financial community

as part of the leadoff presenters. We did hear from a couple of the bank groups. More specifically, I think it was Mary Webb from the Bank of Nova Scotia who said on the capital tax that we're almost there. We have reduced capital tax. In fact, there's a more aggressive thing to ultimately eliminate it. But they felt that there were other things. I'm just looking for feedback on that. In Quebec, for instance, only new capital doesn't have capital tax on it. It's like status quo for everybody and it encourages new investment. So anything new capital wouldn't have tax on it.

The most important thing I'd like to put on the record is that we would like a copy of your report with respect to the issue of the mitigation agreement on electricity. It's a huge issue. The minister is still consulting on it. Right now the agreement, as I understand it, still costs OPG or taxpayers about \$700 million a year to mitigate that rate back to 3.8 cents. So there's money going back to the manufacturing sector to the tune of about \$700 million. That's the information we have.

Dave, you were saying that debt reduction is still right up there. This year, if we have a contingency fund and have any money left, I put to you, should it go to education or health care or the many barking dogs, or should it go to debt?

Mr Penney: Obviously, I don't have all the details as to how you chunk out your priorities, but every one of those is clearly a priority. If you have to make a choice, I would say you would have to make a pro rata choice among those priorities. Clearly every one of those priorities is important.

Mr Gerry Phillips (Scarborough-Agincourt): I'm looking forward to what Mr O'Toole calls the barking dogs from the health sector and education to let us know what their concerns are, because I share some of the concerns of what he calls the barking dogs.

So many questions and so little time. Maybe just to focus on the electricity issue for a moment: it's a mystery what is really happening and almost impossible to get the numbers from the government. We asked the staff who were here the other day. Mr O'Toole believes there is a mitigation fund of \$700 million.

I believe that money is to be used mainly to rebate for any price over 4.3 cents that the suppliers pay, but only to about 40% of the market. In other words, there's 60% of the market of the consumption of power that's not subject to the 4.3-cent cap. Can you help us along, just in terms of your members? What is actually happening there? Are many of them on the cap? If they're not on the cap, do they have agreements that allow them to pay less or more than the 4.3 cents?

Mr Howcroft: We have a lot of those questions too. There's a lot of uncertainty and confusion and that's why we'd like to see some strong leadership and announcements made to help clarify that. Our understanding with regard to the market power mitigation agreement is that the fund would rebate from over 3.8 cents, 50% over that amount. I'm not at the 4.3. Those who were subject to 4.3 wouldn't be eligible for a rebate. So it's a little different

from what you had said, Mr Phillips. We think that in the long term we need to have a competitive, open electricity market, but because of the confusion, the uncertainties and the announcements November 11, we think the best way to get there is to give everybody the opportunity to have a 4.3 option and—

Mr Phillips: Can I ask just how many of your members would qualify for the 4.3?

Mr Howcroft: Very few at this point. It's mainly residential and very small businesses. The majority of our members would not be covered by that. Notwithstanding that most of your members are small, are SMEs, they still would not be able to get that 4.3 on some people's interpretations right at this moment.

Mr David Christopherson (Hamilton West): Thank you for your presentation. Just on the barking dogs, I'm sure Annie Kidder will be quite interested to realize she's been labelled a barking dog.

You mention on page 5 the skills shortage. We've been hearing that across the board, actually, for a couple of years now. The pressure seems to be growing; the crisis is getting greater. Some of the recommendations we're hearing are about coordination from all three levels of government and about how that can come together. I'm trying to get my own sense of exactly how that coordination takes place in such a way that the actual transference of the plan to then begin to provide employers with access to the skilled workers they need would take place. Can one of you just take a minute to flesh that out a little bit as to how you see the coordination between the three levels of government? How would the three of them, working together, then interface with, say, the groups that are part of your association?

0920

Mr Howcroft: I guess that's the key: to get all three levels of government working together. Unfortunately, we haven't been able to see enough of that. Ontario is the only province in the country that doesn't have a labour market agreement with the federal government. Because of that, we have two systems that are not meshing together, and we are, as a province, suffering because of that. We're encouraging both the federal government and the Ontario government to work together, to continue dialogue so that we can create one system.

We see some really good ideas in areas. In the Hamilton area there are some great initiatives going on, but they seem to stop at the border. We see some great initiatives in Mississauga as well. I think we have a role there as well, because we brought some of these members together and they were able to share best practices. So we feel that there is a responsibility for all levels of government and for business organizations to work together and try to help build on that coordinated effort.

We're working right now with the Ministry of Training, Colleges and Universities to deal with internationally trained workers and focus on best practices and share information to allow people to help themselves and learn what others have done. I think there's a great opportunity

to do a lot more of that. We've had some success and look forward to working with our partners to build on that.

The Chair: Thank you, Mr Howcroft, Mr Penney and Ms McGovern. We appreciate your input.

ONTARIO LONG TERM CARE ASSOCIATION

The Chair: Our next presenter is the Ontario Long Term Care Association. Please indicate your name when you begin speaking, for the purposes of Hansard. You have 20 minutes. Whatever is left over from your presentation we'll divide equally as best we can between the parties. Welcome.

Ms Karen Sullivan: Thank you very much. Good morning. My name is Karen Sullivan. I'm the executive director of the Ontario Long Term Care Association. With me is Fraser Wilson, our president. We thank you for the opportunity to address your committee on the inability of long-term care to meet the needs of the oldest, frailest and sickest members of our province.

Let me begin by telling you that OLTCA represents the private, not-for-profit, charitable and municipal operators of over 360 of the province's 550 long-term-care homes. Our members provide care and accommodation to over 36,000 residents and employ an equal number of staff in communities throughout Ontario.

Long-term care is different from retirement homes and other seniors' accommodation and from many of the other health care services. Unlike retirement homes and other seniors' accommodation, long-term-care homes are funded, regulated and accountable to the Ministry of Health and Long-Term Care to provide 24-hour nursing and personal care services. Access to a long-term-care home is based on care need, not on financial capacity. This care need is determined by an independent third party, the government's community care access centres.

Unlike many other health care services, long-term care is a shared-cost program between the government, the resident and the provider. The government funds health and personal care services at the current rate of \$70 per resident per day. On average, residents contribute \$40 per day toward their accommodation. Providers contribute to the construction, upkeep, operation and management of the home.

On February 27, 2002, I outlined for this committee how this vital health care service could not meet the needs and expectations of those it served. Eleven months later, I'm here to say that one fundamental element remains the same, while another has changed. What remains the same is the fact that Ontario's long-term-care residents have among the highest level of care needs, but the government still funds the lowest level of care compared to 11 Canadian, American and international jurisdictions studied in the 2001 government-funded level-of-service study. That level-of-service study showed that in 1999, long-term-care residents in Saskatchewan received 50% more care than those in

Ontario, and Saskatchewan barely made it into the study's top 10; they were eighth. In the southern state of Mississippi, long-term-care residents received twice the amount of care as those in Ontario.

Since then, government has increased operating funding that has enabled providers to begin to add more care hours to address priority resident care needs. Examples of how our members have implemented the most recent funding increase include: 209.3 full-time-equivalent positions which were added by four of our multi-home providers; a larger home added an RN for four days a week, one day a week for a psychogeriatric RN—7.5 RPN hours—and increased the length of bathing shifts; a small home added four hours of RN time per week to deal with wound care, eight hours of RN time per month to support specialized Alzheimer programming, four hours of RN time per week as a clinical nurse resource, and an extra hour per day of personal support worker time to provide increased resident assistance and bathing.

While I don't want to downplay the value of this increased care, it would also be wrong to let it obscure reality. In terms of the level-of-service study, Ontario was last. We are still last. That's how big the gap between care required and care funded is in this province.

The level-of-service study identified that Ontario provided 2.04 hours of nursing and personal care per resident per day. The funding increases to date have increased this to 2.34 hours per resident per day. This is still almost 45 minutes less than long-term-care residents in Saskatchewan received in 1999. It means that nine out of 10 of our residents don't get the physical therapy services, and less than half get the special exercises that they require. Special programming needs go unattended because there is not enough staff. Even the ministry's own compliance advisers have recommended that there should be more one-on-one programming and evening and weekend programming. Nutritional requirements are becoming more difficult to meet on the \$4.49 per resident per day provided by government for raw food.

What is happening to resident care needs? Care needs are increasing. In fact, they have been since the ministry began tracking this in 1992 with the annual levels-of-care classification survey. The 2002 survey showed that care needs increased by 2.3%, for a combined increase of 17.5% over the past 10 years.

These percentages provide the following picture of today's long-term-care residents. Of the 100 residents in a typical long-term-care home, 70 residents are over the age of 80, and 26 of those are over 90; 95 residents would require some assistance to get dressed, and 79 of those would need total assistance; 95 residents require some assistance to eat, and 24 of those complete feeding; 87 residents require some assistance to move around, and 45 of those would require two staff to do that; and 45 residents are unable to locate their own room without assistance when on their own unit.

Then there are the residents' medical conditions: 53 of those residents have some form of circulatory disease, 46 residents have some form of musculoskeletal disability,

33 residents have some form of neurological disease, and 30 residents have some form of endocrine and metabolic disorder. The fact that these numbers do not add up to 100 starkly illustrates the complex medical care that residents need.

This reality is played out daily in some 550 locations throughout Ontario. When all of the 20,000 new long-term-care beds are opened next year, it will be upwards of 650 locations. As the 20,000 new beds open and the 16,000 beds in older, structurally non-compliant homes are redeveloped, the consumer awareness of another aspect of unmet resident need is increasing.

Government's long-term-care capital investment programs mean that 36,000 residents will have access to significantly higher standards of privacy and comfort. They also mean that 41,000 residents in existing homes will have to be satisfied with a second class of accommodation standards. By "second class," I mean less space for personal care, comfort and privacy because these homes were not designed to accommodate all the wheelchairs, IVs, oxygen tanks and other care equipment residents now require. I mean large congregate dining areas as opposed to the more intimate 32-resident on-unit dining areas in new homes. I mean more shared bedrooms and, in most cases, shared bathroom spaces.

This is an issue of fairness and equity that is now becoming evident for long-term-care residents and their families throughout Ontario. It is also not good public policy because it inevitably leads to crisis and expensive solutions to address system access and structural issues. When a service sector has some 650 separate delivery structures, capital upgrading needs to occur in an orderly manner on an annual basis. Long-term care needs a commitment to an ongoing capital program so that, over time, homes can upgrade to higher design standards to meet residents' needs and their expectations.

There is one other impact of the 20,000 new beds that will become more evident this year. About 8,000 of those new beds are open and another 8,000 are due to open in 2003. As they do, they will create a situation of excess capacity in some areas. This could lead to instability within the long-term-care sector. However, it is also creating a one-time opportunity for long-term care to be a solution to broader, more systemic and expensive issues that continue to plague the Ontario health care system.

0930

I appreciate that other providers also say they can be a solution. However, I would be remiss if I didn't point out that long-term care actually has the physical capacity now to ease the pressure elsewhere in the system. In particular, I'm referring to patients currently in hospitals whose care and needs could be more appropriately met in a long-term-care setting. I would also point out that this is not just about an economic solution for these patients; it is about caring for them in a home where they can do things like eat in a dining room instead of from a bed table. Thus, increased operating funding that addresses the level-of-service study is both an investment in reducing the access pressures on hospital emergency

rooms and waiting lists and in providing more appropriate care.

In summary, then, what has not changed in 11 months is that long-term care is still not able to meet the care needs of residents or realize its potential as a system solution. The best efforts of providers and staff cannot make up for the lack of resources. The one fundamental element that has changed, however, is that while long-term-care residents may be out of sight, their needs are no longer out of mind.

A year or so ago, it was a struggle to get anyone to even acknowledge that there was a long-term care issue. The disturbing evidence of the level-of-service study was released practically without notice. Things are different now. In a two-week period last year, over 55,000 Ontarians literally jumped at the chance to sign a message card calling on government to fund the care that residents need. I'd like to thank the members of this committee who, as individual MPPs, helped take their concerns forward. The outpouring of concern did not stop with those message cards. There were questions and debates in the Legislature. During the most recent sitting, hardly a day went by without a petition being tabled. Even the Provincial Auditor, in his 2002 report, expressed his concern that the government had not addressed the conditions identified in the level-of-service study. Similar types of attention occurred outside the political and government arenas, in media stories and in the focus of various consumer groups.

In short, people are more aware of the facts and are showing they care. This was confirmed in an October 2002 Ipsos-Reid poll conducted for OLTCA. In that survey, 72% of respondents said it should be a government priority to provide the increased operating funding required to match the level of care in Saskatchewan, as per the level-of-service study. Ninety per cent of respondents said government should introduce a capital program to allow existing homes to redevelop to higher standards that improve resident comfort and privacy. Seventy-two per cent of respondents supported the concept of long-term care as a shared funding program. They said that the increasing cost of long-term-care services should be shared between the government and the residents. Literally nobody, only 3%, said the residents should bear this cost alone.

This finding is very relevant now. In 2001, OLTCA identified that it would take \$750 million in increased operating funding to reach the Saskatchewan level of service. In other words, that was the cost to get Ontario out of last place and at least into the top 10. Since then, government has increased operating funding by a total of \$230 million, leaving a shortfall of \$520 million. As of today, there is no government commitment to address this need. What government has committed to, however, is that residents will pay \$2 more per day this year and another \$2 per day in 2004.

OLTCA's position has always been that while, like the people of Ontario, we support the shared funding concept of long-term care, it is the government who should

provide the lion's share of the required care funding. We are here today to request the support of this committee in asking government to also do its share. That is, make a commitment to the \$260 million, or \$10 per resident per day, in increased operating funding required in each of the next two years to raise service levels and to introduce an ongoing capital renewal program to address the comfort and privacy issue for over half the total long-term-care residents who live in our existing homes. We believe that committing residents to pay \$2 more in the next two years establishes a precedent for multi-year funding. Similarly, the 20,000 new beds and the 16,000 existing bed redevelopment program establishes a precedent for capital support.

I'd like to close my remarks by emphasizing that while our request is framed in terms of dollars and programs, it is actually about people. It's about the people who helped build Ontario into a leader in this great country. It is about providing them with the care, comfort, privacy and dignity that they need and that they've earned. Thank you.

The Chair: Thank you, Ms Sullivan. I was wondering whether you'd squeeze it all in, and you did an admirable job. We have just over a minute for each caucus, and we will begin with the official opposition.

Mr Phillips: Again, so many questions. I don't know whether you're one of the barking dogs or not that they were describing.

I'll focus my question on the 20,000 new beds and the implication of that. The government says they invested \$1.2 billion in these. My understanding is that really the organizations themselves have borrowed the money, and the payment is \$10 per day for each new bed per client.

Ms Sullivan: For 20 years.

Mr Phillips: For 20 years. So the government didn't put \$1.2 billion in. They said they would fund those people who borrowed the money on the basis of—I guess my question is, is that assumption correct, and if it is, it seems to me about \$80 million to \$90 million a year in increased grants to long-term care are required simply to fund the capital part of the commitment. Have I got those numbers right?

Ms Sullivan: The \$10.35 per resident per day for 20 years is only a part of the capital funding. The provider also goes to the bank and gets funding as well. So the \$10.35 never covers the whole debt. It's over 20 years. I'm not sure exactly how the \$1.2 billion was calculated. Half of it was for home care, \$660 million was for long-term care and it was for the capital program—I'm not sure, but it's not for over the whole 20 years—and it was also for increases to the case mix measure. So there will have to be funding set aside in the future to look after capital.

Mr Christopherson: What was the increase that they initially tried to put through, the copayment?

Ms Sullivan: It was \$7.02.

Mr Christopherson: Right. And of course we had pretty much a province-wide protest over that throughout

the summer, some of us more public than others in our anger over what was being proposed.

I just want to come back to this again and underscore exactly what you're saying here. In Mississippi they get twice as much money, twice as much funding, as we do here in Ontario.

Ms Sullivan: No; they can provide twice as much care. It was not a study about funding, it was about what the resident actually got, and they get twice as much.

Mr Christopherson: But the funding has to come from somewhere.

Ms Sullivan: Right.

Mr Christopherson: So it's still a funding issue.

Ms Sullivan: It comes from two sources: the resident and the government.

Mr Christopherson: Exactly. There are an awful lot of people who can't afford to pay for the high-end private care that's available. The situation in Ontario very simply is that there's fantastic care out there, as long as you can write a cheque for whatever amount it takes. I would say that, if anything, we're seeing more and more of these facilities coming on stream, but less and less for people who can't afford to take out the luxury services. We've got the auditor saying again in 2002 that they're not at the level-of-service study recommendations. I guess my question to you is, if something isn't done now for—it's hard to believe, but there are probably tens of thousands of people who at some point are going to be tuning in to some of these budget deliberations; a lot of those individuals are who we're talking about, and if it's not today, then it's their parents or grandparents, or it's going to be them tomorrow. So if we don't address this today, can you just give me a quick thumbnail sketch of where we're going to be in five years, 10 years, particularly as the boomers age and go into these facilities?

Ms Sullivan: I actually think the key point about our sector right now is that we have the capacity to help. So not only can we take the people that you're talking about—everybody can afford to go to a long-term-care facility in this province; we've set it up that way—but we actually now have the capacity to help you with your hospital problems. So we can take people out of expensive hospital care and look after them in long-term care.

The Chair: We go to the government.

Mr Marcel Beaubien (Lambton-Kent-Middlesex): Thank you very much for your presentation. First of all, I'd like to put on the record that I have a father who has been in a nursing home for 12½ years, after a major car accident. He is receiving fantastic care, and we pay 40-some-odd dollars a day. And I will name the facility: it's Fiddick's Nursing Home in Petrolia. I think they deserve a plug.

You mentioned in your presentation that with the 8,000 new beds coming on stream in 2003, this could lead to instability within the long-term care. Could you expand on that?

Ms Sullivan: Eight thousand beds have opened already and another 8,000 are going to open, and that's in

a 24-month period. That's a lot of capacity increase to our sector. We actually think it provides you as a government with an opportunity. There are people who are in hospitals who would be better cared for in long-term care. Some of them could come and end up staying there; others could come and be rehabilitated back into the community and get home care or go back to their homes. So you have an opportunity with that and we think strongly that you should capitalize on what you've already done.

Mr Beaubien: What about looking on the other side of—

The Chair: Thank you, Mr Beaubien. Time's up. Thank you, Ms Sullivan, Mr Wilson. We appreciate your input.

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CAMPAIGN 2000

The Chair: The next presenter is Campaign 2000. Is Mr Barata here? Good morning. Please state your name and that of your associate into the microphone for the purposes of Hansard. Welcome. You have 20 minutes. Whatever's left over from your presentation, we'll try to divide equally among the caucuses.

Mr Pedro Barata: Thank you very much, Mr Chair. Good morning. My name is Pedro Barata. I'm the Ontario coordinator of Campaign 2000. With me is Colin Hughes, who works at the Toronto children's aid society and is actually one of the co-founders of Campaign 2000.

Just for the record, Campaign 2000 is a national coalition of over 85 organizations dedicated to the well-being of children in this country. In Ontario we have over 40 partners across the province. We represent professional groups, service deliverers, faith communities, labour unions, ethnocultural organizations, individuals in different community organizations.

We want to give you an overview of our brief today for about 10 minutes and then open the floor up for discussion. Essentially, we want to refer back to an earlier presentation by the finance minister to your committee which essentially said, "Let's stay the course. Let's continue with our agenda of across-the-board tax cuts and let's just have faith that economic growth will solve all our ills." We're here today to offer a different view. I would actually refer you throughout this presentation to page 2 in our brief, which has a couple of charts that will provide a context for what I'm about to say.

Ontario's undeniably impressive economic growth over the past few years has certainly contributed to a cyclical decline in child poverty. When you look at the numbers on the surface, there's certainly reason to celebrate. But while the easy thing would be to celebrate the point-by-point decline in child poverty, the numbers, when you look in depth into them, tell a different story when you consider that despite prosperity, despite our level of GDP and all the major indicators, we still haven't seen any respite in terms of food bank use, we still have shelter use at levels that haven't gone down, and we still

see people who are really struggling to get by on a day-to-day basis.

The Ontario government has essentially left the job of dealing with poverty to economic growth and tax cuts. Unfortunately, it has failed to provide the other side of the equation, which is to provide the social supports that families really rely on in their communities. The results are quite clear. You see that in the year 2000, which is the last year for which we have child poverty statistics, we still have 390,000 children living in poverty. When you look at the chart at the top of page 3, those children and those families are not even near the low-income cut-off. The situation for lone-parent families has pretty much stagnated over the past few years, and for two-parent families it's actually gotten worse. So we're quite concerned.

Successive provincial budgets have sort of papered over the fact that poverty remains a serious problem in this province. We've continued to hear the mantra of, "We've created so many jobs, we've cut taxes so much," but the reality is in front of you.

I want you, if you please would, to look at the chart on page 2 that's entitled "Child Poverty Rate in Ontario and Canada." The lower line, the darker line, reflects child poverty trends in Ontario since the 1980s. There's something that's very telling about this trend, and specifically it's to compare the past two economic booms. We had 2000, which was pretty much a banner year, pretty much as good as we're going to get probably, and when you compare that with 1989, which is the previous economic boom, we see that we're nowhere near where we were before. Obviously, the labour market structure has changed in terms of the jobs that are available, but we've also seen severe cuts in terms of our social safety net.

As far as tackling poverty is concerned, we're not the only group that's going to come before you over the next few days, and has in the previous days, that's going to speak to the social side of the equation. Unfortunately, we've been doing this for quite a long time and it's never been explicitly acknowledged in any of the provincial budgets. We want to challenge the committee to recommend that this budget really have an explicit focus on poverty. Specifically we ask you, as we have in previous years, to steer away from a strategy of across-the-board tax cuts, for a couple of reasons. Number one, they tend not to benefit the lowest income earners; they tend to be concentrated at the highest end. Number two, they deplete our capacity to invest in the social services that families actually need. We were not surprised to see, for example, that last year's tax cut schedule was delayed. It puts an inordinate pressure in terms of our budgets to deliver the services that we need.

What would we like to see? We would like to see you focus on four main points.

The first one has to do with income security. I'm sure you will hear this message over and over again in this committee, that we need to fix social assistance. The Ontario government said it wanted to fix social assistance back in 1995. What it did was cut rates. Since then we

have not seen any adjustment in terms of rates over the past seven years. You can ask a very simple question: did a children's winter jacket cost the same in 1995 as it does today? Probably not. Why is it that other income security programs, like old age security, like the child tax benefit, are adjusted on a year-to-year basis for inflation, yet social assistance does not get the same treatment? When you look at the chart at the bottom of page 5, you look at how far social assistance rates have gotten from the low-income cut-off. Families are struggling deeper and deeper in poverty, and we really want to recommend to the committee that those rates be looked at.

The second piece that we want to recommend revolves around the labour market side of income security. We have to look at the well-being of families in conjunction, both in terms of a market approach and in terms of a social security approach. Our minimum wages are far too low. Child benefits have gone up over the past few years. They've gone up every year to support families on the federal side, and unfortunately the minimum wage has not kept up. So we have a one-sided approach to the economic security of families and no help whatsoever in terms of those who are struggling out in the labour market, who are trying to pay rents that increase every year, who are trying to meet their child care needs, and who essentially remain where they were or even worse than in previous years.

The third area where we need to see some focus is on the service side, specifically on the provision of quality child care. In terms of quality child care, we don't mean just, you know, give families a voucher and let them fend for themselves out there in the free market of child care. The Ontario government's own Early Years Study has come out and said that quality is foremost for the future human development of our country and that we really need to invest in children. That takes investments in quality child care that help children and allow families to work.

Finally, I think we all recognize that the private sector solution to building affordable housing has failed. The private sector can accommodate about 2,000 new units per year. Even the Ontario government's finance estimates for population growth acknowledge that we would need about 15,000 to 18,000 new units. The government has to get involved in meeting the social needs of families, and we can no longer simply rely on the mantra of economic growth and tax cuts.

I want to finish by just underlining our coalition's belief that public policy must play an active role in the lives of its citizens and it must play an active role in ensuring that we can all share in our collective prosperity.

I would like to pass it now to Colin Hughes.

Mr Colin Hughes: As my friend indicated, I think the charts on the first page or so of the brief we've given you really do holler, "Stop. Take another look." If we look at over 20 years in this province, what we've seen is that child poverty rates have followed the business cycle. It's increased dramatically when the business cycle has had a downturn; it's dropped when the business cycle has seen

economic growth. But the real cue here is that if we rely on economic growth alone, we're not going to see child poverty rates drop very significantly.

In this decade they've gone down, and in the 1990s they went down as low as 14%—that's not very low. In the previous decade it was down to about 11%—that's more than one in 10 children. So if we want to make headway, we really have to look at an approach that complements economic growth, that complements the labour market and that means looking at active social policies. My friend Pedro has outlined a number of income, child development and housing directions we can go in to actively invest in families and children and support them.

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These kinds of approaches are really quite reasonable. Over the past two decades—and there's nothing really radical about this—these have been the general directions this province has followed. It has always tried to make social assistance a little bit better in different ways in terms of supporting people, in terms of helping them become more independent, in terms of making sure they're not going to be on the streets freezing to death and so on.

The province has done great work in the area of child care—and used to be a leader in that area—and the province has done wonderful work in housing. There is just a multitude of other policies that are highlighted under our summary of recommendations that have potential, historic precedents to move forward to invest in people, to support them and to help reduce and prevent poverty.

What I'd like to quickly highlight are just some real baby steps. We've been to this committee a number of times, and over the past few years, as Pedro has indicated, we really haven't seen any kind of new initiatives. So what we're saying is, come back this way a little bit and take a look at a few things at least, at the very minimum, that are not even going to cost you anything or are going to cost very little, things like the minimum wage. For goodness' sake, it's been frozen for eight years. Inflation has been eating away at it. Families who are working at the minimum wage are getting less and less for their work effort. Surely we need to reward work effort, and surely employment, in hand with other supports, is necessary to move forward in terms of addressing child poverty. Moreover, increasing the minimum wage is not going to cost the province a nickel. It's something that can be done, and it's just something that should be done. So that's one really minimal sort of thing that can be done.

Another area is to revisit the whole area of rent controls. Again, rent controls are not going to cost the provincial government anything, and there's every indication that the experiment to see if the market would suddenly respond and produce housing for low- and modest-income families just hasn't worked. There's a real supply problem, and there's a real income problem on the part of families. So we need new approaches, and surely one thing that's very minimal and isn't going to cost anything to do is to return to rent controls.

Another area that isn't going to cost anything is to look at how we use the human resources in our social assistance system. One huge recommendation that came out in the late 1980s or early 1990s from Judge George Thomson and the Ontario Social Assistance Review Committee was to look at opportunity planning. Here we have all these people working in the system who are not oriented to providing opportunity planning for social assistance recipients, where you really sit down and create a joint plan and work through that plan and help that family, that person, move toward a greater degree of independence. Instead, those human resources are going increasingly into more punitive aspects of Ontario Works. Again, it's not going to cost anything to change the orientation.

Another area that's not going to cost very much is the clawback of the national child benefit supplement from social assistance. Two of the three parties in this House do not support the clawback, and let me tell you that I don't know anybody in the community who supports the clawback of the child benefit supplement, which is a federal supplement intended to reduce child poverty, from social assistance.

Let me give you a little, teeny example of one area you could make some headway on. There's a little program in welfare called temporary care assistance. It's been around since the 1920s. It provides kids whose parents have died or whose parents are unable to look after them a small allowance to help them live with somebody else in their family, and it prevents them from coming into expensive children's aid care. There are about 5,000 kids, and the money from the national child benefit for these poor kids is deducted from their welfare. The \$200 that the province provides to help families who get in there and support a kid who needs help, who needs someone to look after them—half of that is deducted from them. It would cost very little to say, "We'll rescind the clawback on that little, tiny part of the social assistance system and help support families looking after children."

These are just some examples of some very minimal things that could be done and that we never see in any of the budgets. These aren't expensive items; many of them don't cost anything. So we're really asking you to take another look. Yes, the labour market is important; yes, the economy is important. But there's another dimension to this, and if we rely in a sort of uneven, slanted way on simply that side of things, we're not going to get very far in terms of addressing child poverty. So we really ask you to look at more active policies to support families and children in this province.

The Chair: That leaves us a grand total of about two minutes, so 30 seconds each. A very quick lead, Mr Christopherson. I know you could take the whole two minutes if you wanted.

Mr Christopherson: I could take that long just clearing my throat, Chair. You know that.

I don't know if there will be time for a question, but I just want to underscore the last point you were making

about the child tax benefit. Tony Martin, my colleague from Sault Ste Marie, has been doing everything he can trying to barnstorm across this province and wake people up to what's going on.

For the purposes of anyone who is listening, let's understand what's going on here. This is a benefit that the federal government provides for children in families that are on social assistance. It's meant to be exactly what it is: a child benefit, a supplement to them. The Ontario government takes the full amount that the federal government has given for children in poverty and deducts it from the money they receive from Ontario social assistance. That's the current policy of this government, correct?

Mr Hughes: That's correct.

Mr Christopherson: That's disgraceful.

Mr Hughes: Thank you. I should mention that Campaign 2000 does not support the clawback. We would like to see it rescinded totally. I'm highlighting the temporary care assistance simply because here is an example of where we have in this province a 36% increase in admissions into the care of the children's aid society over the last few years, and here's a little program that actually helps families and prevents admissions into care. This is penny-wise and pound foolish.

Again, thank you for your comments.

The Chair: Quickly, any from the government?

Mr Rob Sampson (Mississauga Centre): I assume that's recommendation 5 in your report, is it? Is it in the report? You can let us know if it's not, I'm sure.

Mr Barata: It's recommendation 4.

Mr Sampson: You did say here that economic recovery is helpful. It has, on average, moved the poverty rate down at least eight points over the recovery, and I hope you would encourage us to try to keep economic recovery going, because in the absence of that we'll lose eight percentage points because of the recession, right? So I would say, "Look, you got eight points easy. Keep the recovery going."

Mr Hughes: Yes, we're for economic growth.

Mr Sampson: It's a sizable reduction.

The Chair: Mr Kwinter.

Mr Monte Kwinter (York Centre): Thank you very much for your presentation. I think some of your recommendations are really worthwhile.

I'd just like to get some information. Do you have any statistics as to how many people in the labour force are actually on minimum wage?

Mr Hughes: I think those are available through Statistics Canada.

Mr Kwinter: The reason I ask is because in my experience in business, I have found that the street really dictates what the rate is and that the minimum wage is a floor, not a ceiling. We have a plant. People come in; they're recent immigrants. They know, from talking to people—\$10 an hour or they don't work, and that's what you pay them. What I'm trying to get a handle on is how many people are really affected by this minimum wage, because it could impact on how we address it.

Mr Barata: We don't have those numbers, but what we do know is that many people, thousands of families, are in the labour market and are still struggling below poverty. I don't have the latest numbers for 2000, which was the peak economic year. I can certainly forward those to the committee.

I think the minimum wage is also an indicator of the rest of the wage structure across the board. That's where you begin. Knowing there are so many families still struggling below the poverty line and working full-time and working part-time is a pretty good indicator that the labour market on its own is not enough, that we still need to work in terms of the benefits that families have, but that we need to look at the other side as well. The child benefit, for example, is one way that supports what families are doing out in the labour market. Obviously, minimum wage can't be sensitive to whether or not you have children, but at the same time it should meet the child benefit halfway. In other words, if you're working, between child benefits and your market wages you should not be living below poverty, and that's happening far too often. I invite the committee to look at that question as a benchmark.

Mr Hughes: It's absolutely true that the minimum wage is a floor. I would also note that the Organisation for Economic Co-operation and Development has cautioned that cuts to social assistance and cuts or reductions to the minimum wage risk resulting in a deepening of poverty, and that is what we have seen in Ontario.

The Chair: Thank you. If you have other information, please forward it to the clerk to make sure that all members of the committee are benefiting from that. We appreciate it.

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INSURANCE BUREAU OF CANADA

The Chair: The next presenter is the Insurance Bureau of Canada. Please state your name clearly for the purposes of Hansard. Welcome, sir.

Mr Mark Yakabuski: Good morning, Mr Chairman. I'm Mark Yakabuski, the Ontario vice-president of the Insurance Bureau of Canada. It is always a great privilege to appear before this very distinguished committee.

I want to talk to you briefly about some of the general advice we have to give to you about themes that you might wish to pick up as we prepare for a budget. I think the bottom line is very simple: there has to be a balanced budget in Ontario. That's absolutely essential to the economic progress of the province. Having said that, we do understand that there are probably some strategic investments that you have to continue to make in education and health care, but beyond that you have to hold the line and ensure that the balanced budget is achieved again this year.

Within that, we do think there is some scope for modest tax cuts beyond those already announced by the government. We think in particular that attention should

be paid to those taxes which are not related to profits that companies have to pay whether they're making money or not. They can be a terrible drain on the capital base of companies, and in particular we have a huge tax in Ontario called the premium tax that is levied on most insurance policies. There's a 3% tax on auto insurance premiums; there is a 3.5% tax on property insurance premiums. This tax is bringing in well over \$500 million a year. Something of note: auto insurance premiums are up by about 16%, on average, over the past 12 months. Commercial insurance premiums are up by probably even more. The result is that the premium tax right now is bringing in substantially more revenue than anticipated in Ontario. We believe this is therefore an opportunity to modestly reduce the premium tax while still maintaining your revenue stream. This is a great opportunity to do that.

I want to talk briefly about health care. It's a huge expense for the taxpayers of Ontario. We have to spend our money wisely. We believe that more opportunities need to be sought to coordinate data and care between the publicly funded system and the private funders of health care, of which the auto insurance industry is among the largest. In particular, with respect to future health care policy—because there's a huge debate, as you know, going on in the country—we think that a lot more emphasis needs to be spent on injury prevention. A very modest amount of money is currently being spent on preventing injuries, yet nationwide we know that preventable injuries cost the Canadian economy, and the Ontario is of course a large portion of that, over \$15 billion a year. So if we only began to increase our expenditures modestly, we think there would be a substantial payoff.

Take, for example—and this committee was directly involved in this initiative—the introduction of graduated licensing in Ontario with respect to young and new drivers. The effect of that program has been to reduce the number of fatalities and severe injuries among new drivers by 24%. That represents a huge saving, of course, to our health care system, not to speak of the huge savings in lives and carnage that otherwise might take place on our roads. So we strongly commend increased emphasis on injury prevention. To give you a measure of things, the government of Ontario is spending about \$7 million on a multi-year basis in co-operation with SMARTRISK, the premier national injury prevention organization in Canada. We just don't think that's enough. We think there's scope there to spend more money on injury prevention.

Lastly, I want to talk to you about the absolutely critical need to address auto insurance reform here in Ontario. Bill 198 has been passed; it has been given royal assent. But the regulations implementing that bill—and I can tell you that they are very large and voluminous—have not yet been released for draft comment, so we are far from the implementation of that bill. I have to tell you in all seriousness that if the measures in Bill 198 are not soon implemented, we are risking a very severe crisis in the auto insurance industry.

I have a number of slides I'd like to share with you. First of all, the auto insurance industry in Ontario is hugely important to the whole auto insurance market across Canada. It represents about 54% of total premiums in the auto insurance market. The auto insurance market in Ontario alone, slide number 2, represents well over a quarter of the total insurance premiums for homes, cars and businesses in Canada. So if we don't get things right in the Ontario auto insurance system, your constituents, and I know they're already seeing this, are going to see the ripple effects not just in their auto insurance policies but in their home insurance policies, in their small business policies, in their commercial insurance policies.

What's the problem? A huge increase in the cost of providing health care in the auto insurance system. Auto insurance health care costs have risen from \$308 million in 1991, the first full year of no-fault insurance in Ontario, to almost \$1.3 billion in 2001. That's an inflation rate of 412%. That far exceeds the inflation rate that is confronting the publicly funded system. If we don't get those costs under control, there is absolutely no way we will be able to provide auto insurance on an affordable basis to the people of Ontario.

I've tried to provide to you a cost breakdown of the various cost components confronting auto insurance companies today. I've got two columns here, 1997 and 2001—1997 of course is the first full year after the introduction of Bill 59, which this government passed early in its first mandate; for 2001 you'll see the huge change in these expenses. "Accident benefits" represents health care costs to auto insurance companies. You'll see that in a very short period of time, less than five years, those costs have almost doubled: an 84% increase. "Bodily injury" is those court-based health care costs; those are up 60%. Disability payments, which again are related to people who need medical care, are up 64%. Those are the parts of the policy that the reforms in Bill 198 address. That is why it is absolutely essential that those reforms be brought in and implemented in their integrity as quickly as is physically possible.

I began my remarks by saying that if we did not do something very, very soon, we would be facing a crisis in the Ontario auto insurance system. If you look at the slide that's entitled "Ontario Auto Loss Ratio, 12-month basis," the slide begins at 1996. That's when the government decided that it was absolutely essential to introduce Bill 59, and we absolutely agreed with the decision the government took at that point in time. The loss ratio, which is the percentage of claims in relation to our total premium base, was at 84% in 1996, when the government introduced and passed Bill 59. The loss ratio in Ontario automobile insurance today is at 95%—95%—and we still don't have these changes that are essential to avoiding a very critical situation. Believe it or not, insurance companies don't make enough money on the premiums that they bring in.

I've got a slide entitled "Underwriting Losses." If I may say so, Mr Beaubien knows this slide very well, because he and I chatted about it several months ago. We

may not like it, some people do, but the fact of the matter is that premiums have not been adequate to cover claims for some period of time. Insurers have relied on reasonable returns in the investment market to subsidize auto insurance policies, home insurance policies and commercial insurance policies. Nationwide, we have not achieved an underwriting profit since 1978.

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Let's look at what interest returns have been on the money that we invest. When you send in your premium dollars, some people may have a claim the next day. Some people may never have a claim. Some people may have a claim five years down the road. That money's taken. It is invested until a claim has to be paid. So some money is made on that return.

We have been able to rely on an average 8% return in the investment markets, largely bonds, for a long period of time. That 8% has been used to effectively allow us to keep auto insurance premiums lower than they otherwise would be.

I don't have to tell you what the markets are doing today. We do not anticipate a return to even modest returns in the investment market for some period of time, which means that there is no margin there today for us to subsidize the losses that are taking place on the underwriting side of the auto insurance policy. In 1996, when our loss ratio was at 84, we still had an 8% margin to subsidize that policy. Today we've got a 1.5% to 2% return right now, and there's absolutely no margin to subsidize that policy.

I'm saying all of this because we are hurtling toward a crisis that, if it is not addressed soon, could be very painful for, yes, our companies and for auto insurance policyholders everywhere here in Ontario.

The bottom line is—you're at my last slide—look at what premiums have been doing over the past year and a half. They have been shooting up, and unless those reforms in Bill 198 are brought forward and completely implemented immediately, those premiums can only go in one direction. We've all got to work together to ensure that we don't hit the wall, that we meet this crisis before it takes place, and I cannot stress strongly enough to you to use your good influence to ensure that that takes place as soon as possible.

The Chair: Thanks, Mr Yakabuski. We have about two minutes each, and we begin with the government.

Mr Beaubien: Thank you very much for your presentation, Mark. I have a couple of points that I would like you to comment on. You did not mention the amalgamation and the gobbling up of different companies, especially in Ontario, with European ownership. I would like you to comment briefly on this, ask you what impact that may have, because I'm told there's not an awful lot of money being reinvested in Ontario.

The other point is, I think right now the premium-to-reserve ratio is that at a dollar for a premium you need \$1.65 for reserve? Is that about the—

Mr Yakabuski: Generally, companies operate on a 2-to-1 basis. They try to have \$2 for every premium that they issue.

Mr Beaubien: Is that too high, or can something be done over there in order to maybe free up the—

Mr Yakabuski: I'll address both of those. First of all, with respect to European companies, there's no doubt that there are some large European insurers that are active in the auto insurance market in particular. No, you're right, Ontario is not attracting new money, because the industry, as I say, is in a very poor state of affairs. If anything, capital is being withdrawn as we speak because it is possible to get superior returns in other auto insurance markets across the world, and Ontario is feeling the effects of that today.

With respect to larger European insurers, some of whom have taken over large books of auto business over the past year and half, there is no doubt that they are now, having taken over those books of business from other companies, combing that business. In light of today's market, I would not be surprised if they were to say, "A good part of this business we don't want to retain because it's too much of a drag on our capital base. They might be risky policies that we'd rather not have." That, unfortunately, is what we face when we get in one of these hard markets where there's absolutely no flexibility for companies to keep certain risks while shedding some. You'll notice that in the fine print of our brief, we talk about the need to review underwriting rules here in Ontario that right now are just making a bad situation a heck of a lot worse because they give no flexibility.

What happens today is, if a company has a book of business and it says, "Some of these people I'd like to retain and some of these people I'd rather not retain," they have to make the decision to get rid of the entire book of business, because their underwriting rules do not allow them to retain risk on a selective basis. What is that causing? That's causing all kinds of people who are having difficulty at this moment trying to find insurance, and the situation can only get worse if we don't address some of these issues.

With respect to—

The Chair: We're going to move to the official opposition, if we may, Mr Yakabuski.

Mr Kwinter: Thank you very much for your presentation. I've had a lot of experience in this area and it is, as they say, déjà vu all over again, because the experiences that we had in 1985 to 1987 are happening again.

Mr Yakabuski: Exactly.

Mr Kwinter: How many companies are solely in the auto insurance business in Canada, that is, that's their only book?

Mr Yakabuski: Solely in the auto insurance business? There would not be a large number of companies solely in the auto insurance business. The companies that are solely in the auto insurance business are your specialty high-risk writers, that specialize in high-risk—

Mr Kwinter: Like the Facility Association?

Mr Yakabuski: The Facility Association is not really an insurance company. It's a pool that all of the insurance companies, by law, have to participate in, in order to fund those drivers who can't find insurance elsewhere. We're

talking about the Kingsways and the Pembridges of this world; they are exclusively auto insurance companies. Most companies here in Canada have a large auto insurance portfolio, but they also provide home insurance and maybe some commercial insurance.

Mr Kwinter: The reason I'm asking that question is that in your comparisons you talk about the rate of return on your investments and the higher cost of servicing these policies. If that was the only business you were in, I could see that being valid—and I'm not saying it isn't valid. But there's always been a feeling that the reason the insurance companies are in the auto insurance business is because nearly everybody has to have auto insurance and that's a lever or an entry for the insurance company to sell them everything else, where they do make better profits. I'm just wondering, how does that impact on this situation?

Mr Yakabuski: The purpose of my first slides was to show how important the auto insurance industry is to the whole rest of the business. If you have real tightness, as we do today in the auto insurance business, it will not only affect, as it is, a company's ability to service the auto market, but it will also affect that company's ability to service the home and commercial markets. This money is invested by the same group of people, and tightness in the auto market, because it is such a dominant portion, usually, of a company's portfolio, will have a ripple effect.

The Chair: We'll move to Mr Christopherson of the NDP.

Mr Christopherson: Thanks for your presentation. I'd like to pick up where Mr Kwinter left off. Every economist who has come in, so far, when they talk about inflation, identifies specifically auto insurance rates as driving inflation rates. It's rare that you get one item that looms so large in an equation like that.

I've got to tell you, the difficulty I have when I look at a chart like this and I see the investment returns down this low, dramatically, notwithstanding that I'm not suggesting what you're saying is misleading on your actual costs, but when I look at this—and I sense that's where Mr Kwinter is coming from—it really does look like you want the best of all worlds. You want the ability to make as much money as you can when the stock market is going great with all the money that comes in—and why not? There's nothing wrong with that; don't get me wrong.

Mr Yakabuski: But—

Mr Christopherson: Let me finish and then you can respond. Then, in the bad times, you jack up the prices and come in and want tax relief so you can help increase that.

Mr Yakabuski: Well—

Mr Christopherson: Just let me finish and I'll let you have your turn.

I know you're saying that you use that money to subsidize it, and it makes it sound like it's a very altruistic motive. I'm not convinced that's really what's going on. The fact of the matter is that everybody else

who has been hit in the stock market with their RRSPs just sits there and has to live with it and pray that things turn around. They can't come in here and start asking for all kinds of rule changes to offset them. This is a huge issue.

Mr Yakabuski: The equation is very simple. If you don't want to do anything, then you're going to see premiums rise dramatically, much more than they have to date. If you're prepared to stick with that, that's your decision.

The other thing: I'm not talking about a premium tax cut for insurance companies, I'm talking about a premium tax cut for every bloody policyholder in the province. We're not the ones who ultimately pay that tax. It's you, it's your constituents, who are paying 3.5% on policies for property and 3% on auto. That's not a tax cut for us, but it's a tax cut for your constituents.

Mr Christopherson: But it's you walking away with the profit at the end of the day, not us.

The Chair: Thank you, Mr Yakabuski. We appreciate your input and your presentation today.

Our next presenter is People for Education. Is the presenter in the room? People for Education, Ms Kidder? Is there another presenter for a subsequent time? Then this committee will recess until we have someone here to present.

The committee recessed from 1020 to 1021.

PEOPLE FOR EDUCATION

The Chair: The committee will now resume. Welcome, Ms Kidder.

Ms Annie Kidder: I apologize for our lateness.

The Chair: You know to state your name for the purposes of Hansard. Please proceed. Welcome.

Ms Kidder: My name is Annie Kidder and I'm with the parents' group People for Education. Beside me is Kathryn Blackett, also with People for Education.

We are here today to address the pre-budget hearings out of a concern about the implementation of the recommendations in the Rozanski report and to give the committee an update as to where we are now and where we need to get to by the time school boards receive their funding for the 2003-04 school year.

Our overall concern is that though the government did commit to some of the funding in the Rozanski report, it has a long, long way to go before we get our schools back anywhere close to the shape they should be in. We're concerned that if we wait any longer to implement the recommendations of the Rozanski report, our school boards and our schools will continue to suffer cuts. We will continue to see schools closing and we will continue to see programs being cut all across the province.

What we have laid out here for you today is what is remaining in the Rozanski recommendations. We want you to understand the magnitude of what is remaining. So far the government has implemented about 29% of the recommendations in the Rozanski report. Because we're now talking about the 2003-04 school year, we need to

add on to that Rozanski's strong recommendation that he made repeatedly in the report, which is that benchmarks be updated every year. This will add approximately another \$400 million to the cost of education for next year. So in that way, we've got about 76% of the funding left to go.

The areas that are most glaring that still have not been addressed are the maintenance, the renewal and the building of school buildings. The former Minister of Education herself said we have a huge problem in that area in Ontario. She said it was going to cost about \$6 billion in order to have adequate school buildings in the province. That is one of the areas that Rozanski pointed out there was a huge need in, and we have yet to implement any of his recommendations in that area.

School boards are still spending well above what they get from the province in terms of salaries and benefits. There's still over \$500 million remaining in that area. Funding has yet to be implemented for English-as-a-second-language programs and for French-as-a-second-language programs. We still need the rest of the funding for transportation, and we still need funding for the learning opportunities grant.

Most importantly, I think, is that in the last two months we've had two reports, the Rozanski report, commissioned by the government, and the report from the Ontario Institute for Studies in Education at the University of Toronto. Both reports pointed out that we have been suffering from a kind of incoherence in terms of education policy over the last few years in Ontario, and the need for a coherent plan and vision for education. So what we are here today to ask of the committee is that they ensure that all of Dr Rozanski's recommendations are implemented this year. We know that Dr Rozanski said the government could do this over the next three years, but as I said, we have a grave concern that then we will have the ridiculous situation of the government giving with one hand while cuts continue to be made with the other. The OISE report also pointed this out.

What we want—and this is where it's impossible just to talk about funding; it's important that we talk about policy at the same time—is for the government to come forward with a coherent plan for education, and that that plan include a vision for public education in Ontario, which the OISE report clearly stated the government had not had; a strategy for the implementation of all of Dr Rozanski's recommendations; and policy that guarantees standards of education in every school across the province. We also want to emphasize that in Dr Rozanski's report, he did not cost out many things. There are many things left to be done after all the recommendations are implemented.

He recommended that there be a new grant for aboriginal students. I followed the task force, as did Kathryn, in its hearings around the province. The situation for aboriginal students in Ontario is dire, and Dr Rozanski recommended a new grant for aboriginal students. He said there needs to be new funding for French language boards, which are also suffering; that we need

to review the benchmark for starting salaries for new teachers, so that Ontario can recruit and retain good teachers; and that we need a cabinet-level advisory council on integrated services for children. He said there needs to be a review of the funding for new pupil places, so that boards could afford to build new schools in areas of growth, and that there needs to be a new transportation policy for special education students. All these things will cost money.

I also want to reiterate that Dr Rozanski said over and over in his report that the recommended funding increases be in addition to annual increases. He said that funding should be reviewed annually to ensure it keeps pace with inflation, and that—which is one thing we disagree with; his funding is introduced over three years—it be in addition to updated benchmark costs, which is why we've included the approximately \$400 million in what has been recommended by Dr Rozanski.

Overall, what we're looking for here is not just money, not just dollars thrown at problems for political reasons, but a plan, a coherent plan for education in Ontario. We have been suffering under a lack of coherence for the last few years. Our students have been suffering. There has been a kind of ad hoc funding for education, an ad hoc policy in Ontario for the last few years. We want a coherent plan, and we want to see written out clearly the government strategy over the next few months for implementing all the recommendations in the Rozanski report.

We are going to continue to monitor and report on the government's progress. Next week we will be releasing our annual report on school closings across the province. Schools are continuing to close, even though we have recommendations in the report for more funding for small schools, and boards are continuing to cut programs. We have to do something about this and we have to do it now, so that we do not continue to undermine the public education system in Ontario.

The Vice-Chair (Mr Ted Arnott): Thank you very much, Ms Kidder. We have some time for questions. It's the Liberal caucus's turn to lead off.

Mr Phillips: Can you help us out a little bit in terms of the Rozanski report, which indicated that an additional \$2.5 billion is required? Can you tell us what that would represent in terms of increased cost? We find it quite challenging to get the actual school board spending. The government has given us a response to some questions we asked here, but the numbers look different than other numbers. It looks like about \$5.7 billion is raised from property taxes, I think, and it looks like it's perhaps going to be a similar amount in the future, \$5.7 billion in property taxes. Therefore, how much more was put in this year, and how much additional provincial funding is required in, let's say, the next couple of years to implement the Rozanski report, in your opinion?

1030

Ms Kidder: In our opinion, we require in the next year—and it's really important that we remember that this is annual funding and not just one-time, solve-all-

the-problems money—an increase of at least \$1.8 billion and more like \$1.9 billion. This is above and beyond the \$613 million the government put in just before Christmas.

When we're saying we have all these different reports and we don't know who to believe, we have to understand that even in Rozanski's report, most of this funding is just to bring us up to the levels we should have been at by last August. So we're really talking about correcting a problem as opposed to putting in a lot of new funding. Over half of the money he recommended is just to bring us up to the levels we should have been at by August 2002, to make up for the fact that the benchmarks did not change from 1997.

I also want to say that in listening to boards across the province and talking to parents, as we do all the time, there was unanimity in the voice about how critical the situation is in schools and in boards. I think Rozanski heard that, which is why we have endorsed his report, and our one quest, then, is to have it implemented fully.

The Vice-Chair: We now turn to the New Democrats.

Mr Christopherson: Thank you very much for your presentation. I'm not sure, but we're probably getting closer to what one of the government members earlier called "barking dogs," meaning, I think, those who are making noise in the background, wanting money. It certainly wasn't a very positive comment.

Let me ask you about the difference between what the government has already committed to and what Rozanski is recommending. What has the government said to you privately so far, in addition to what they may have said publicly, about that commitment?

Ms Kidder: On the first day, there was a lot of hesitation about this wish list. Then a couple of days later, there was, "No, we plan to implement this. We love this report, and we back it completely." I think that what we have not heard, though, and have yet to hear, is what exactly is the plan? One thing I read in the paper yesterday, which made me laugh, was that there is going to be more consultation. Well, the reason they spent the money on the task force to review the funding formula was so that Dr Rozanski could go around the province and consult with all the experts, all the school boards, with parents and with every kind of group involved in education. We have had months and months of consultation. There is no need for more consultation, I would propose. The need now is for a clearly written out, "In February we will do this; in March we will do this. We will solve this problem by putting this amount of money in," and we will do all these things based on a desire to improve the quality of the education system in Ontario, as opposed to being based on the desire to get away with spending as little as we possibly can, which is how we funded education in Ontario up to now.

This is where the two reports come together so well. We have one report that says our education is underfunded and the other one that says we've suffered from a lack of policy and the lack of a clear plan to improve the quality of the education system. The OISE report says

improving the quality of the education system affects the quality of all our lives, and it should be the sort of uppermost policy step for the government to make.

Mr Christopherson: I would assume that as daunting as that \$2.5 billion may seem to some—and given the deterioration in the system, it's not surprising it is this figure—if they don't act right away to bring us up to par, then down the road, whether it's one or two or three years, we're going to have to pay the catch-up price of this full price, the catch-up of the current year, plus any new pressures that have come along as a result of new pressures in the system. What I'm saying is, if we don't address this number now, regardless of how daunting it may seem, that number is only going to go up and it's going to cost us even more if we don't invest this money now.

Ms Kidder: What's important is that we remember when we're talking about money that it's not money we're talking about, it's students. If we continue to play catch-up, what happens is students' lives are affected in that period where they don't have the services they need. There are many, many cases of students going without help, for instance, for a year of their lives. A year in the life of a student is a very huge percentage of their lives. So we can't just think of this as a funding problem. This is a problem that has to do with children's lives and we have to think of it at that critical level.

The Vice-Chair: We'll move on to the government caucus.

Mr O'Toole: Thank you very much for your presentation. I know the situation in education from my time as a trustee and as a parent of five children. I always felt there was a tremendous amount of inequity. My children attended primarily rural schools in the Durham area and they were getting less than other areas of the province.

Ms Kidder: I agree.

Mr O'Toole: In fact, I guess the Fair Tax Commission addressed it, the disentanglement report addressed it. The royal commission really was the first definitive report that made it clear that each child should be funded equitably and find some mechanism to do that.

Rozanski did respect that. He said, "This system"—in the past—"was considered inequitable, since boards with large property tax bases were able to raise more money than boards with access to small tax bases. Boards no longer have the authority to determine education tax rates."

Ultimately the relentless struggle to resist giving up that power to tax was taken to the courts and more recently caused the three rogue boards, as you are well familiar—you've followed all this and probably been a part of it—to dissent and break the law, teaching children in fact that breaking the law is perfectly acceptable.

I still go back to—the question, I suppose, if I have one: do you support equity in education even if it means some of the wealthier boards may have to move down the level of service in areas that aren't really core to the purpose of enriching children's lives?

It was funny, because I watched the announcements by Elizabeth Witmer and Premier Eves—

Mr Christopherson: Just say swimming pools.

Mr O'Toole: Yes, swimming pools are an example. My children would have loved to have had that.

No one would disagree with the need to have every possible advantage in life. When I looked at the \$500 million that was announced, it was all wages and benefits. It was just ridiculous, really. Some \$386 million of the amount was actually to increase the grid issues and deal with those issues.

Mr Christopherson: You're getting a good pay increase.

Mr O'Toole: I personally feel the current situation is trying to move toward rewarding excellence, rewarding performance, improving equity in rural schools. I'm still going to struggle very hard with those issues, not in indifference to the Toronto urban mix, the very complex social issues. I was wondering why the separate board in Toronto, with the same population demographic mix base etc, was able to balance its budget, and yet the public one—was it politics, really? You've watched this with some rigour, if not direct involvement.

The Vice-Chair: Mr O'Toole, could you conclude your comments, please?

Mr O'Toole: How much more time do I have? That's really the question.

The Vice-Chair: You've got about 30 seconds.

Mr O'Toole: I'll try to use 28 of them.

My sense is that it is about children. I think it's about my children and I really think it's about equity. I think the larger boards have to realize that this is a large, very diverse province, and I want the scarce resources used in every instance directly in the classroom, directly with the children. That interface between the teacher and those students is so important.

The Vice-Chair: Thank you very much, Mr O'Toole, for your comments.

Ms Kidder: I'd like to answer your question, especially to do with the equity issue. I agree with you completely that there was terrible inequity before. I think that's why it is valuable to have a provincial funding formula. Rural schools were suffering and continue to suffer. One of the things Dr Rozanski asks for in his report is another \$60 million for rural schools and small schools. He also recommends that we review the funding formula for small schools to ensure that, where necessary, small schools are able to stay open, with the services of a principal, a secretary and adequate teachers. So I do not disagree with you there.

I also agree with you that we have not called for any kind of return to local taxation, because I agree that there needs to be equity across the province.

Where I disagree with you has to do with the scarce resources. I would argue that there's no more important place we can put money than our education system. It's the best investment we can make. We are, in fact, compared to everywhere else in the world, a very, very rich province. We have spent a lot of money on tax cuts

in the last seven years. The Minister of Finance has announced there will be more tax cuts. I would argue the priority should be those small rural schools of which you speak. Those small rural schools are the ones that are suffering most right now, much more than cities.

The Vice-Chair: Thank you very much for your presentation.

I'd like to call forward our next group for their presentation, the Ontario Coalition for Better Child Care. They are scheduled for 10:40. Are their representatives in the room? It appears that no one is here as of yet from the Ontario Coalition for Better Child Care, so I'll call forward our next scheduled group to see if they are present: the Ontario Home Builders' Association. It appears that they are not present at this time either, so I will recess the committee at the present time.

The committee recessed from 1041 to 1057.

ONTARIO HOME BUILDERS' ASSOCIATION

The Vice-Chair: I'd like to call this committee back into session and call forward our next group, the Ontario Home Builders' Association. Welcome, gentlemen, to the standing committee on finance and economic affairs. We look forward to your presentation. First of all, I'd ask that you identify yourselves for the purposes of Hansard.

Mr Robert Cooper: My name is Robert Cooper and I'm the president of the Ontario Home Builders' Association. I've been involved in the residential construction industry for almost two decades and am president of the Alterra group of companies. Our firm has built over 4,000 homes, primarily in the Hamilton, Burlington and Oakville communities, in our 30-year history. We've also built condominiums in Toronto and are currently building townhouses as far north as Haileybury, Ontario.

Joining me is Mr Peter Saturno. Peter is first vice-president of the Ontario Home Builders' Association. He's also a past president of the Durham Region Home Builders' Association. For the past 15 years, Peter and his father, Sam, have operated the successful family business of Midhaven Homes in Durham region.

We are both volunteer members in the association, and in addition to our business and personal responsibilities, we are dedicated to serving our industry. We appreciate the opportunity to speak with you today and have forwarded copies of our full written submission.

I'd now like to ask Peter to start to tell you a little bit about the Ontario Home Builders' Association.

Mr Peter Saturno: Good morning, Mr Chairman and members of the committee. The Ontario Home Builders' Association is the voice of the residential construction industry in Ontario. As a volunteer organization, OHBA represents 3,400 member companies that are organized into 31 local associations across the province. Our membership is made up of all disciplines involved in residential construction. Together we produce 80% of the province's new housing, and renovate and maintain our existing housing stock. We estimate our industry

employs over one quarter of a million people and contributes approximately \$25 billion to the province's economy every year.

Since 1995, the Ontario economy has generated over one million new net jobs, accounting for over 46% of the national job gain. Many of those new jobs were in our residential construction industry. It's estimated that the average housing start generates approximately 2.8 person-years of employment; therefore, with housing starts at 83,597 last year in 2002, Ontario's new-housing industry provided over 234,000 person-years of employment last year.

Ontario's housing market in 2002 was buoyant, active and healthy. Starts last year were up 14% over the previous year. Low mortgage rates, increased immigration to the province and solid job growth all contributed to our strong sales in 2002.

OHBA and its members are looking forward to another healthy housing market again this year. In a November 2002 survey of our OHBA members, 75% expect new home sales to increase or remain the same this year, and OHBA is forecasting starts of approximately 74,500 in this coming year. Renovation spending also is on the rise, with about \$9 billion spent in this sector last year. The Canada Mortgage and Housing Corp expects that this sector will reach almost \$12 billion in spending in 2003 in Ontario. This certainly bodes well for Ontario's existing housing stock, which benefits from efforts to maintain and upgrade housing standards.

While most builders are optimistic for 2003, they do have some concerns and listed the top five barriers to growth as follows: skilled labour shortages; shortages in the availability of land; increased material costs; development charges; and over-regulation. In order to maintain Ontario's healthy residential construction industry, these barriers need to be addressed.

Mr Cooper: OHBA would appreciate your consideration with respect to the following:

Excessive regulation and over-taxation on the home building industry pushes the price of new homes higher and higher, which can put home ownership out of the reach of many families. The Urban Development Institute recently completed a review of 2001-02 government charges on new residential construction in the greater Toronto area. The study found that the total taxes, fees and charges paid by a homebuyer were up to 30% of the cost of a new home, equating to not less than \$44,000 for the average home in each 905 region studied. The Greater Windsor Home Builders Association undertook a similar review of taxes, fees and charges paid in the construction of a new home in Windsor and Essex county. It found about 20% of the cost of a new home goes to these fees, equating to an average of \$31,000 in charges on a \$155,000 home. Development charges represent a substantial portion of these fees.

Not only do these charges contribute significantly to the cost of housing in the province, but there are serious concerns some municipalities may be manipulating development charge calculations to increase revenue.

Currently, many municipalities are in the process of preparing new background studies to be used in setting new development charge rates. OHBA is very concerned that in some instances background studies have been prepared using very inconsistent and sometimes flawed methods of data projection, which has resulted in various municipalities implementing development charges that are artificially high.

A little over a year ago, the London Home Builders' Association successfully presented its assertion to the Ontario Municipal Board that the local municipality's development charges implemented in 1999 were too high. The OMB agreed and ordered the charge reduced by almost \$3,000 per single or semi-detached unit. This is just one example of some serious, fundamental flaws in the way consultants and municipalities are determining development charges.

As we begin another round of background studies and consultant reports to set new rates, OHBA recommends government identify and correct abuses of development charges, education development charges and GO Transit development charges in the homebuilding industry and intervene to ensure that the intent of the legislation, which is to reduce costs, is met.

Last year the government announced its intention to offer opportunity bonds tax-free to investors. OHBA fully supports this move. We believe bonds are a more fair and proactive method of financing the expansion of municipal infrastructure than development charges. We believe that extending the tax-exempt status of these bonds to include federal taxes will greatly increase their attractiveness to potential investors.

Mr Saturno: OHBA has been actively involved in the consultative process as the government seeks to develop a strategy for promoting and managing growth in ways that sustain a strong economy. Transportation links are extremely important in achieving balanced smart growth. It is critical that government ensures efficient transportation links between neighbouring communities and that mass transit is reasonably priced.

Currently, the provincial government collects taxes on fuel, which are not allocated to any specific purpose but simply placed in general revenues. OHBA supports allocating a percentage of current fuel tax revenue for building and servicing roads, bridges and mass transit infrastructure.

The shortage of skilled labour is a major concern for the construction industry in Ontario and has been a top concern of OHBA members for a number of years. The increasing number of retirees is not being offset by the numbers of young people entering the industry.

Informing and educating the public about the opportunities available in the construction industry, as well as dispelling some of the negative stereotypes associated with skilled trades, is a major challenge for the industry.

Rental housing continues to be in short supply in several urban centres and Ontario continues to have a shortfall in the building of rental housing. Canada Mortgage and Housing Corp data suggest a shortage of about

14,000 new rental units per year over the next 15 years. OHBA supports the government's efforts, which include an investment of \$20 million to resume the \$2,000-per-unit PST grant program.

OHBA further recommends the elimination or lowering of development charges on rental units to increase the economic viability of private rental construction. Government is encouraged to continue to review policies that discourage private investment in this sector. Adequate shelter is a basic necessity for all Ontario citizens and OHBA continues to support the provision of shelter allowances for citizens truly in need.

Pressure from the underground economy continues to plague our industry, particularly in the renovation sector. On the provincial level, estimates range from \$1.1 billion to \$1.7 billion in lost revenue per year.

OHBA would also like to recommend that the government work together with our industry to seek out ways of encouraging and enticing customers to utilize the skills and services of legitimate, honest renovators and contractors.

Mr Cooper: Mr Chairman, let me conclude by complimenting the government on its foresight in making the land transfer tax rebate for first-time buyers of newly built homes permanent as of May 2000. Since its introduction in 1996, rebates totalling approximately \$180 million have helped more than 126,000 Ontarians purchase their first home. This has certainly contributed to the solid growth experienced in the new-housing market.

Our recent survey of members shows continued support for the provincial government's fiscal policies. Members listed the following as the top five priorities for the provincial government in 2003. They were income tax cuts, small business support, spending cuts, improving infrastructure, and new rental construction. OHBA strongly recommends the fiscal policy of the government and encourages it to stay the course and continue in the direction of spending cuts and tax cuts.

Mr Chairman, members of the committee, I would like to thank you for your attention and interest in our presentation and we look forward to hearing any comments or questions you may have.

The Chair: That leaves us about three minutes per caucus, and we begin with the NDP.

Mr Christopherson: Thank you, gentlemen, for your presentation. One of the main reasons people buy a home, of course, rather than rent is because over a period of time, ultimately, it's paid off and they've got a bit of a nest egg going into their retirement. Agreed? I mean, that's why most people buy their own home, as well as pride of ownership and it's your place; but there's also the financial.

Interjection: Yes.
1110

Mr Christopherson: I noticed that you showed that rental starts and private starts were 3,879 in 2002 and 168 assisted rental starts. In addition, you mentioned, "Adequate shelter is a basic necessity for all Ontario citizens

and OHBA continues to support the provision of shelter allowances for citizens truly in need." Fair enough.

What we don't understand, those of us who support the idea of direct government involvement in providing affordable housing—philosophically there are some who believe in that, like my party and I, others who don't, and some may be somewhere in the middle. Given that you're going to build no matter what—right?—that if there's something going to be provided, whether it's on the private sector side with a shelter allowance for those who need it or whether we build something and it's permanently there and owned by the people of Ontario, you still build the buildings, you still get the work, you still get the benefit of all that, and your work continues, what we're not clear on is, why your emphasis on shelter allowance? I know that sort of the Tory approach to all this is, "Let the private sector build all these homes, and then whatever the rent is, if there needs to be extra assistance, let that come in the form of subsidy." Again, some of us believe that's not a good investment in terms of the taxpayer's money, that if we buy a place and pay for it over a period of time, it's there, owned by the public and available to other families who need it, and hopefully people are moving on into the private sector. What I don't get is why you would support the shelter allowances specifically as opposed to the other, or not take a position. Why the shelter allowance?

Mr Cooper: Over the past, I'd say, 10 to 12 years, seeing the cost to the province of Ontario, the people of Ontario, on social housing projects that were put up in great quantity from, let's say, 1985 to 1995, we think the cost may have far outweighed the benefit. We're builders, so we'll build what the market wants. We believe that shelter allowances are a more economical way of providing assistance to people who can't afford to purchase market housing on their own. So the cost of shelter allowances is much less than the cost of providing social housing.

The Chair: Quickly.

Mr Christopherson: See, there's where we disagree, because the shelter allowance goes on forever, whereas once you build something and pay for it, it's yours, it's owned and the public can do with it as they deem. They can sell it, or the public could demand that it be there for other families, but at least there's a return on the investment. I grant you, there's some better efficiencies that can be found in terms of how you provide it, but shelter allowance, once that money's paid out every month, it's gone forever; there's no return on that.

The Chair: Thank you, Mr Christopherson. We'll move to the government side.

Mr O'Toole: Thank you, Robert, as well as Peter. Good to see you, Peter.

I do want to remark on Midhaven Homes. It provides real opportunity for people in Durham. You've been very instructive to help me understand the importance of the industry and the high growth in Durham, a part of my riding that you're currently building in. So I appreciate the time you've taken to be here today.

You know at first hand, Peter, the difficulty we've had in Durham with respect to one of the issues you mentioned. I'm going to mention two. One was the development charge formula and the pressure it does put on first-time homebuyers. You've made that point. Ultimately, it just gets put in the mortgage and for 40 years you're paying this. What is the average cost of the development charge for a single family, first-time homebuyer, sort of single or link or whatever? Would it be \$5,000, \$8,000, \$12,000?

Mr Saturno: Actually, the average development charge in Durham region for any single attached home runs in at just under \$20,000 per home.

Mr O'Toole: Over 40 years. You do the math, and that's probably costing that first-time homebuyer something in the order of maybe \$100,000, \$200,000 over there.

Mr Saturno: Over a quarter of a century.

Mr O'Toole: So it's an ongoing—but they refused to fund the capital portion of hospital expansion, which was adding services for patients closer to home, that is, a cancer treatment centre, dialysis and other things like that. The region as well as the municipality rejected it in favour of development charges for such things as, potentially, recreational facilities that I guess are important as well.

One of the things I want to draw to your attention is one of the more successful programs that I think the Ministry of Education—Elizabeth Witmer—has undertaken. It is the apprenticeship training program for high school students, which in Durham mostly takes place at Durham College at the Skills Training Centre in Whitby. I forget what the program is called, but I had the privilege yesterday of calling Gary Polanski, the president, and advising him that they had been awarded \$180,000 as part of improving the equipment on-site. That's part of a \$10-million program, which is part of a larger program of \$25 million, to provide more skills training opportunities to address the apprenticeship issue you mentioned on shortage of skilled trades. Have you any comments on anything more we could do on that high school student program and getting ready for trades? Any comments on more that we could do there?

Mr Saturno: Actually, OHBA right now is in partnership with the government in trying to provide an apprenticeship program for students. Unfortunately, the scenario you're talking about with Durham College is to retrain workers to try to get a skilled trade. We co-operate right now in Durham with the Bridges program, which is in all the high schools in Durham region and Northumberland, into Peterborough, and helps to train individuals at the age of 16, half the year in a classroom and half the year on-site. That's the time to bring them into that industry and give them a taste of it, because it is an honourable profession. It's the old adage: teach a man to fish and he'll eat forever.

The Chair: We'll move to the official opposition. Mr Phillips.

Mr Phillips: Thank you for being here. I think you're one of the two engines that have really been driving the Ontario economy for the last two or three years, most economists think, you and exports.

I'm just trying to get a sense of the natural demand for housing and what we should anticipate going forward. I think household formation in Ontario is around 58,000 a year. So theoretically you'd argue that's the natural demand. In 1988, there were 100,000 units built in the province, and in 1995, 35,000 units—huge swings. I'm just trying to get an idea going forward. I think the forecasts over the next couple of years continue to be pretty optimistic. What's the industry's view on the natural demand? How many housing units a year should we be building to fulfill the demand? Are we building beyond that right now and, consequently, is there any risk at all that there's going to be an overhang, or should we be quite certain about 75,000 units over the next couple of years?

Mr Cooper: To answer your question, looking at housing starts from 1988, a great number of those represented probably a combination of market-driven housing and also social housing. So from a market point of view, real end-user buyers and families were probably where we were in 1988 from a starts point of view. This year we saw housing starts running around 83,000 in Ontario, and I would say that is for the most part natural demand. Of course, if we were able to increase the turnaround time for subdivision approval and bring land on stream faster and cut out red tape, the natural demand probably is closer to 100,000 units. This coming year, I would see probably a slight decrease in starts. Our association is estimating about 74,500 starts for 2003. But with low interest rates continuing, we do see the demand for housing hopefully maintaining current levels over the next few years, as long as interest rates stay low and family formation in Ontario continues.

The Chair: Thank you, gentlemen. That concludes your time.

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ELEMENTARY TEACHERS' FEDERATION OF ONTARIO

The Chair: Our next presenter is the Elementary Teachers' Federation of Ontario. Please state your names clearly for the purposes of Hansard. I think you know that you have 20 minutes. Whatever time is left over after your presentation, we'll try to divide equally among the caucus members. Welcome.

Ms Emily Noble: Thank you. Being an educator, I will make sure there is time for questions and answers. My name is Emily Noble, and I have the privilege of being president of the Elementary Teachers' Federation of Ontario. With me is my general secretary, Gene Lewis, and our staff officer, Pat McAdie, who looks after a lot of the technical funding briefs.

We recognize that this is the standing committee on finance and economic affairs, and we want to tell to you

and make sure that just because the government has put money into education out of the Rozanski report, we need to reinvest—and we have an opportunity to act now to reinvest—and put back in the money that has been taken out of the education system over the last seven and eight years. So I think the government has an opportunity to really say this is student-focused funding and the money will be there, and make a commitment to the students of Ontario.

Dr Rozanski heard from hundreds of people across the province, parents and students; in fact, thousands of people in terms of the education community. One message that was very loud and clear is that the education system is underfunded. Rozanski heard that and he agreed in terms of his report. So a significant amount of money needs to be, and must be, reinvested in education to reverse the neglect over the last seven and eight years.

I think you will be familiar that last week there was an excellent report out of OISE talking about the fact that over the last several years there has been a lack of funding put into the education system. Ken Leithwood, Michael Fullan and Nancy Watson, who are all well-respected educators around the world, concluded that “the public system in Ontario has languished” far “too long. The time for concerted action is now.” I think the standing committee—you people—have an opportunity to act.

I must say that, to their credit, the Ontario government and the honourable Minister Witmer did act quickly, particularly on three items out of the recommendations, and they acted this year. They put money into special education, salaries and student transportation. It amounted to about \$550 million. As I said, this money was for this year, and so was a recognition that there was significant underfunding of the system.

However, as I said in my introductory remarks, does that fix the problem? Absolutely not. It's really important that the government take the important step—and they've taken the first step—but recognize that this is in fact a first step. We've only gotten to first base, and we want the recommendations from Rozanski to be implemented in full. Particularly, the money that was put in this year needs to be continued and maintained over the next couple of years.

Mr Gene Lewis: There are a lot of recommendations on education these days. Ours come to you with the voice of 65,000 members across the province. I commend the report to your reading, but I'm going to turn to page 11 and the recommendations. On page 11, the bottom two recommendations, number 1 is that the government invest \$1.42 billion in the formula in 2003-04 to update all the benchmarks over the last five years; our president, Emily Noble, talked about the neglect that has occurred. Recommendation 2 is that the government increase education funding for 2003-04 to reflect changes in inflation. If you take 1 and 2 together and implement the first year of Rozanski's three-year program, that would move the cost of education in Ontario to \$16.1 billion in 2003-04.

Moving to our third recommendation, we urge the government to invest the \$689 million to fund the new initiatives that Rozanski identified in his report, and specifically \$265 million for students with special needs, \$50 million for the learning opportunities grant, and other amounts to address small schools, ESL, declining enrolment and maintenance of schools. Anybody who has been in a school lately knows that maintenance is desperately required.

Our fourth recommendation says, let's have a look at that learning opportunities grant. That's the grant that helps students from lower socio-economic regions of the province be successful. It's the grant that helps students with special needs. It needs a serious review because it's clearly inadequate at this point.

Recommendation 5 refers to the adequacy of the pupil accommodation grant. In 1998 that amount was set at \$5.20 per square foot. It hasn't been adjusted since to compensate for inflation, and it wasn't even adequate in 1998 because it was the average cost that school boards were paying at that point for their facilities and their upkeep while the median was \$5.50. So updating the grant to reflect inflationary costs will help, but it won't solve the problem of crumbling schools.

Recommendation 6: we're recommending, as Rozanski said, to put a process in place to review the adequacy of the funding formula, both annually and on a five-year cyclical basis.

Our 65,000 members really want you to focus on recommendation 7, making a commitment to the elementary students in this province. I want to give you an example. The average elementary school in this province is around 360 students. The pupil-teacher ratio in an elementary school is 24.5 to 1. In a secondary school—legislated—it's 21 to 0.1. That's a difference of 2.4 in the ratio. Sorry, that's a difference of 3.5 in the ratio, but in the average elementary school that would mean 2.4 additional teachers in an average elementary school with 360 students. The impact that could have on the learning needs of children in this province is phenomenal. This is something that has been allowed to exist for a number of years. It will take courage on the part of the government to address it.

Ms Noble: Basically, in conclusion, we feel that after seven years of underfunding we're actually in a position now, and the committee is in a position and has the opportunity, to redress some of those kinds of things and say, “Put the money back in.” Certainly since the introduction of student-focused funding, the effects of inflation and cost increases have been ignored. That's a real key, and Rozanski heard that from the boards. That's a really major factor. And certainly with the cost of electricity and those kinds of things, the money needs to be put in so that classrooms are warm and heated.

Gene talked about the class size. One of our issues at the elementary level is the funding gap. There is a disparity in the funding and the value that's placed on an elementary and a secondary student. Secondary students need every cent they can get, and more in fact, but there

is a gap of \$770 in terms of the funding that's given for an elementary student as opposed to a secondary. We talk about the value of early childhood education. I think there's an opportunity here to redress that and say, "We value early childhood education, we value elementary students," and redress that difference in funding.

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I do believe that the government has started on the road to repair, as I mentioned earlier, with the Rozanski report putting money in. It's a first step. Let's continue that. We encourage the committee to take some courage and continue the steps and not continue to underfund the education of our students, because they are our future. They will be sitting here in my place and they will be sitting here in your place. Certainly make sure that there is a public system that is fully funded and accessible for all students and that all students are valued. Thank you very much.

The Chair: Thank you, Ms Noble. We begin the rotation with the government.

Mr Ted Arnott (Waterloo-Wellington): Thank you for coming today and thank you for your presentation. We do appreciate the good work your members do, and certainly their commitment to improving student achievement is something I know the minister appreciates very much. I also want to thank you very much for your acknowledgement for her work as minister and her prompt response to the recommendations of the Rozanski report. Clearly there is more work to do in the future in that respect. A number of groups have made reference to that.

I want to ask a specific question about one of your recommendations: number 4. Mr Lewis, you had indicated that in your opinion the learning opportunities grant is clearly inadequate. I think those were the words you used. I just wondered if your organization has had a chance to do any research to back up that statement and to identify what exactly would be needed to have an adequate level of funding in that particular grant and how we might achieve that.

Mr Lewis: If I might, and perhaps my colleague has better information, Rozanski in his report recommended \$50 million as a beginning. As you know, he recommended an annual and a cyclical review of the funding formula itself. Any additional information?

Ms Patricia McAdie: The information that we have also comes from the Expert Panel on Learning Opportunities from 1997, when the funding formula was being formulated and introduced. They recognized at that point that at least \$400 million was being spent on learning opportunities grant programs and the government put in at that time \$185 million. Since that time, the funding has increased for that grant but there have been two other components added to it. So the recommendations specifically refer to the original intent of the grant and the demographics portion.

We haven't done anything more specific in looking at the programs, but that is what we are basing it on, that

report from 1997. We look forward to doing some more work on that.

Mr Phillips: Thank you for a very thoughtful presentation. Just to try and make certain I understand your recommendation, your judgment is that currently, the fiscal year we're in now, \$14.8 billion is being spent on elementary and secondary education. Is that the number? For next year, what is your recommendation on what that number should go to?

Mr Lewis: Rozanski in his report recommended a three-year phase-in of his improvements and updates. We think that's too long, but if you give it a three-year term, implementing one third of his improvements plus recommendation number 2, compensating for inflationary changes, that would increase the total to \$16.1 billion for 2003-04.

Mr Phillips: OK. A smaller point: new schools capital funding is completely different than it used to be. The province used to fund roughly \$500 million of capital; now the school boards borrow the money and it's part of the funding formula. I think the cost of that is going up by \$150 million a year. Has your organization looked at that? Do you have any comment on that?

Mr Lewis: It's not an issue that we've addressed. We don't think it would be fair to comment on it.

Mr Phillips: That's fine. Maybe I'll just follow up on Mr Arnott's question on the learning opportunities grant. What's the implication if we don't proceed with your recommendation?

Ms Noble: I think as far as we're concerned, if we're not going to follow the recommendations, we're going to end up with a system that's underfunded. It's not going to be accessible to students. Schools are in disrepair as it is, and that causes a further demise of the public education system we value in this province.

The Chair: Mr Christopherson.

Mr Christopherson: Thank you for your presentation today and, more importantly, thank you for everything you've done over the years, leading this fight against the cuts.

I don't know if you heard it or not, but earlier Mr O'Toole was whining about the fact that a certain percentage of the money that's already been allocated is going to wages. It's pretty tough to run a health care system or an education system or a police service or a fire department without recognizing that staff costs are your largest percentage. Can I just get you to comment on the fact that it looks to me like about a quarter of the costs go toward salaries and benefits, which also includes a number of remedial actions?

Interjection.

Mr Christopherson: Do you want the floor instead of just mumbling?

Mr O'Toole: Sure. Do you want to relinquish it?

The Chair: Order.

Mr Christopherson: That also includes putting back some principals and vice-principals and other things that were cut, so it's not just a straight, bottom-line increase. I'm just trying to remember what percentage wages and

benefits are overall in education. It's pretty high, and it's certainly a lot higher percentage than the total amount recommended in Rozanski. I wanted to give you an opportunity to respond to the rather flippant remark earlier that there's such a huge amount of this money going to wages and benefits, as if to suggest, of course, that your ulterior motive is not about the kids but about yourselves.

Ms Noble: Well, there is a significant amount. There's a significant amount of any budget that does, and it's basically 75% to 80% in terms of salaries. But you're correct: it goes to provide special education teachers and resources, it provides the teacher in front of the classroom, it provides the occasional teacher, it provides a principal in a school and it provides all kinds of personnel resources that are so vital to the education system.

It's important to have a person with the student. I'm from Algoma district, Sault Ste Marie. That kind of money provides educational assistants. It provides guidance people, who have in fact been cut in Sault Ste Marie. We don't have guidance people any more. But we want those resources put back, because it is all about children, and we don't want the kids of Ontario to be at risk. That's what it's all about.

The Chair: Thank you all for the presentation. It's ironic that two members at the top of this table—me and the researcher—were both educated in Sault Ste Marie boards.

Ms Noble: And a wonderful education it was. That's great.

The Chair: Somehow we ended up here.

ONTARIO ELECTRICITY COALITION

The Chair: Our final presentation this morning is from the Ontario Electricity Coalition. Please state your name clearly for the purpose of Hansard. Welcome, sir.

Mr John Wilson: I'm John Wilson. Thank you for the opportunity to talk to you. I'm currently working with the Ontario Electricity Coalition. It's a broad-based group of seniors, retirees, environmental groups, social justice groups, the Council of Canadians, most major unions across the province and many others. We have chapters across Ontario. I'm also working with Myron Gordon, a U of T finance professor who is an expert in utility rate of return.

I worked as a utility engineer in the United States, and in Ontario for the old Ontario Hydro and for Hydro One. I also represented all the scientists and engineers at Ontario Hydro and its successor companies, and I was a former member of the board of Hydro One.

My agenda has just three items, so you'll have time for questions. They are: what the budget needs, what we're wasting and what we need to do about it.

First, what the budget needs: we don't need a balanced budget, but we do need a fiscally responsible budget that eliminates waste and focuses on the priorities of Ontarians. As an example, we may take out a loan to fix a leaking roof on our home, to educate our kids or to help a

relative who is having difficulties. Investing in our home protects our current investment. Investing in our kids protects and helps the entire community in the future. Looking out for a family member in need is a moral obligation. There are issues that have a higher priority than a balanced budget.

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Ontarians need to protect their investment in their electricity system, to invest in their electricity future and to meet the electricity needs of the least fortunate members of our community. We do this for our own well-being, for the future of our communities and for our own morality.

Now, when we're in a prosperous time—take a look at the federal budget surplus, for example—it doesn't take a lot of thought to balance the budget. But I'm here to ask you to think about something Ontarians need every time we have a budget. What we really need with every budget is fiscal responsibility. Among other things, that means cutting waste so we can adequately meet our top priorities, invest in our future and protect the current investments.

So let's focus on some of that significant waste, my second point. What are we wasting? In opening the electricity market, we wasted about \$2 billion. I say "about" because the government has no tally of who spent what, where, when or for what purpose. The money was spent by the provincial government, the provincial electricity companies and municipal utilities. It was spent on restructuring, setting up new companies, writing massive computer programs, advertising, increased executive salaries, billing changes, consultant fees, construction of new facilities, training, merger and acquisition fees, moving to new and rental facilities, and many other costly items.

Unfortunately, these expenditures are sunk costs and shouldn't be considered in going forward, but they should provide a lesson about investing large amounts of public funds in speculative ventures. That money could have helped with hospitals, with schools, with municipalities and with debt payment.

Next, the government is spending money that hides the higher rates charged by private electricity corporations. There's no limit on the rates that private corporations can charge, but the government put an artificial limit on the rates of Ontario Power Generation, our public company. So OPG must rebate all the money above this limit back to electricity consumers. But we're not actually getting any money back with this so-called rebate. It's a sleight of hand. It takes money from one of our pockets and it puts it into another one and it hides the true cost of power. We're paying ourselves with our own money.

In addition, the government is paying electricity retail corporations hundreds of millions of dollars a year. These corporations took advantage of one in four Ontario households, and they also took advantage of a lot of industrial and business consumers and fleeced them also. These corporations are providing nothing to Ontarians

other than a way to take away money. These payments are a waste.

Finally, the government is looking at selling public generators to the private sector. With each sale, we'll waste more money by paying high prices instead of buying from not-for-profit companies. So unless this waste is stopped, we won't have enough money to adequately fund the real priorities in our budget, priorities that you've been hearing about over the last day or so.

Lastly, what do we need to do? It's simple. Stop the sell-off, close the market and move forward with conservation and clean energy. Stop the sell-off of publicly owned electrical assets. UBS Warburg estimates that in the next little while, 30 large energy assets are going on the selling block as big energy companies shed their assets to escape their dire financial straits. The market for energy assets was destroyed by this asset shedding and by the intervention of the provincial government. There can only be fire sales in this kind of market.

Speaking of fire sales, Ontarians helped send an estimated \$500 million in profits from British Energy at the Bruce back to its parent company in Britain to help it stave off bankruptcy. Originally, this money was to go for retubing reactors down the road. The recent lease transfer at the station shows how great a deal the private sector got. British Energy, in a forced sale, with its back to the wall, still sold the lease for more money than the original deal it made with Ontarians. So we paid to bail out foreign shareholders to keep the lights on in Britain. Too bad that money wasn't helping to keep the lights on in Ontario.

Although the lost \$500 million is a sunk cost, the next \$500 million shouldn't be a sunk cost. The government needs to cancel the Bruce lease and use the next \$500 million for Ontario's needs. We can't afford to waste this.

We also have to stop paying high prices to private electricity producers like Brascan and Bruce Power and private retailers like Direct Energy. We're currently paying 37% more to private electricity producers than we are to public producers. The private sector is getting 5.2 cents a kilowatt hour, the public sector 3.8. We're in effect subsidizing those so-called efficient and productive private corporations. This is too big a profit, 37%, to pay to corporations that contributed no new generation but are only profiting from stations that Ontarians paid to build. In addition, we're paying retailers about 6 cents a kilowatt hour. We have to stop subsidizing these private corporations. These subsidies in total amount to billions of dollars.

It's important to understand one point in the competitive market, and that's that market abuse is the biggest loss to consumers who buy competitive electricity. Abuse is documented as 20% to 400% across the United States and other localities such as Britain. Think about it. You can't have a handful of people bidding 24 times a day on a single commodity where every bidder knows the supply that every other bidder has and they all

know the demand to within 1% or 2% every hour of the day. You don't have to collude. Any reasonably bright electricity trader can exercise market power and "abuse the market."

Ontario, with its big supply shortage on hot and cold days, provides a market that is readily open to abuse. This situation will remain with us for the foreseeable future. Back in 1995, people were predicting more than 40% savings with deregulation. In 1998, those predictions dropped to anywhere from 6% to 20% savings. Last year, FERC, the Federal Energy Regulation Commission in the United States, predicted that savings would be 3% to 5% in total, and those estimates exclude stranded costs, transaction costs, market abuse. Now FERC is predicting 2% to 4% over two years and still ignoring transaction costs and market abuse.

Most American states have shelved deregulation and they've stopped restructuring based on a mountain of evidence that it doesn't work. It offers enormous risk to consumers and virtually no rewards. What it has done is unleash abuse of market power, excessive overcharges, inefficient transaction costs, a sharp increase in the cost of capital. These cost increases swamp the theoretical possible efficiency gains you can get from unregulated rates.

We need to legislate conservation and expand clean, renewable energy. After blackouts and soaring rates, California quickly turned the lights back on and reduced rates using conservation and efficiency programs. The state permanently cut 12% of its demand. That's an amount equivalent to all of the four reactors we put in at Darlington, in 10% of the time we put Darlington in, for 10% of the cost. Consumers benefited and so did everybody else—the state benefited. The consumers did their part by paying a rate determined by how much electricity they consumed above or below the previous year's consumption. The state also funded energy-efficient appliances. This is a quick way to turn around a situation where demand is out of control, as it is here in terms of the supply.

Conservation doesn't typically benefit big energy and financial corporations who contribute to campaign funds, but in Ontario's case it will benefit almost all the corporations upon which our economy depends, and it will certainly benefit your constituents in terms of the money in their wallets and in terms of their breathable air.

We need clean, low-cost electricity. We should publicly invest in renewables such as a third Niagara Falls station. We shouldn't give away or share this no-risk investment with the private sector. Even Donald S. Macdonald, in his electricity report, advised the government to keep Niagara Falls in public hands. A budget that develops a third, fully public Niagara Falls generating station would be a budget that cuts waste in terms of unnecessary profit from Ontarians' electricity. In addition, it would cut the pollution, the waste generated by coal-fired plants.

In conclusion, the government said it wanted input into the upcoming budget. The biggest thing they can do

is cut the waste so we can fund the stuff we need to fund. As I've noted on many occasions, when we're headed in the wrong direction, going faster is not going to help, and neither, in Ontario's case, does it help to sit in neutral with our foot pressed firmly on the accelerator, burning fuel. We need to stop this waste of money. We need to stop polluting the environment.

A government that claims to be cutting taxes is effectively imposing massive future taxes on Ontarians in the electricity sector. In addition, these taxes are destroying our relatively inexpensive and reliable power. Unless you meet your fiscal responsibilities, you will leave a legacy of devastation for Ontarians.

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Premier Eves announced that the government will be retaining 100% control of Hydro One. He said it was to protect consumers. We protect our water by retaining control of it. We don't just mean the pipes it flows in; we mean the water itself. So we should retain not only the wires but the electricity that they carry.

Our coalition and its many member organizations will again talk to people and media across the province. If you don't think you're going to fight the coming election on electricity, think again. If you don't think you're going to be asked by voters, "Do you support public power and regulated rates?" think again. And I guarantee you, if the lights go out in Ontario, your constituents will blame you for not having done enough to keep them on. Today you can take a bold step forward for your constituents who are saying, "Stop the sell-off, close the market and move forward with real conservation."

Thank you for your time. I'd be happy to answer any questions.

The Chair: We have just a little under three minutes per caucus.

Mr Phillips: Thank you very much. We're trying to get a handle on how the rebate is being financed in terms of whether it might have any impact directly on the provincial finances and certainly on the stranded debt. What we've been told is that it is self-funding, they say, over a four-year period, so that could mean a lot of things. It could run significant deficits in the first couple of years, I gather. But I was interested in your comment where you indicated that Ontario Power Generation is selling at 3.7 cents.

Mr Wilson: It's 3.8.

Mr Phillips: We've been told that OPG has set aside at least \$700 million for the market mitigation fund, which would have meant they're selling well above 3.7 cents or 3.8 cents.

Mr Wilson: Actually, they're selling at 3.8 because everything over and above, which is the \$700 million you're talking about, goes back in a rebate. So most of OPG's generation is capped at 3.8 cents. It doesn't matter what they bid, what they pick up on a given day; that money just recycles. So you've got a public corporation, Ontario Power Generation, of which the government, ie, the people of Ontario, owns 100% of the shares, paying themselves money from their own company as a pseudo-

rebate for electricity rates. So no matter what OPG bids, no matter what they get, they are stuck for most generation with the 3.8-cent cap.

Right now, private corporations are getting, since the market opened, 5.2 cents average per kilowatt hour, which is a 37% increase. If OPG is operating on a cost, not-for-profit basis, those corporations are making 37% profit over and above all costs. That is an obscene amount of money for groups that have introduced no new generation into Ontario and are only using stations that Ontarians built. OPG will be able to pay for some but that's a question for the people of Ontario; that is their company. They'll be able to pay for some of the cost increases of the private corporations that are supplying about 25% of our electrical energy.

Mr Phillips: Just to be helpful to us, OPG is actually charging what? If they are only able to keep 3.8 cents but they've accumulated \$700 million as a result of getting more money for it, what are they actually being paid for power?

Mr Wilson: They're being paid 3.8 cents because all over and above has to come back in rebates to consumers. So that's the fund that OPG is building. It's what they get over and above their 3.8 cents because the bidding process works as follows: everyone bids, they stack up the bids in terms of the cost and then they see how much energy they want, they go up and they say, "We need this much," and everybody gets the cost of the highest bid that is successful. So OPG, even though they bid down here, gets this money. They can't use it because they have to give it back.

Mr Phillips: I don't think you're being completely clear with people because you're implying that the price that OPG charges is 3.8 cents, when in reality it's charging 5.7 cents and is required to rebate the difference between 3.8 and what they actually bring in. I'm trying to get from you an estimate of what they are actually charging, so we have some idea what's going on in the marketplace.

Mr Wilson: They're probably charging, in the first part, about 5.2 cents a kilowatt hour because every successful bidder gets the top price, and the average top price since the market opened was 5.2. So OPG is getting 5.2 cents but only keeping 3.8, and that money is coming back as a rebate.

Mr Phillips: I understand that.

The Chair: We move to Mr Christopherson.

Mr Christopherson: John, thank you for your presentation. It's good to see you again. You make reference to what's happening in the States. I recall in the 1990s the government liked to point to the States as the great example of why they should be doing what they're doing. I'd like you to just expand a little bit more on what exactly is happening in the various jurisdictions across America as this whole thing starts to unroll.

Mr Wilson: Right now, jurisdictions have stopped deregulating or they have turned around. The only places in North America that still have some semblance of deregulation are Texas—Texas is a state that's effect-

ively disconnected from the American power grid; almost no lines go in and out, so it's an island unto itself that burns huge amounts of oil and gas—and Illinois, where power costs are going through the ceiling. All the other states in the deregulated situation are grouped in the northeastern part, where we are, and they are in extreme pain.

Pennsylvania is in pain. New York is in unbelievable pain as their load, even during a recession, even with the World Trade Center problems, continues to rise. They broke records again last week, in the winter. They used to have summer peaks. US electricity need is climbing, climbing, climbing and nobody is building. They're putting emergency gas generators throughout Long Island and downtown Manhattan. They did it last year. Those generators are becoming temporary and they still don't have power. On the single hottest day last summer, they had 99% of their total capacity on line and zero units off and they just managed to avoid rolling blackouts.

This part of North America is in a really tough situation, but most of the states have turned around and are moving the other way. The federal government is revising and revising, and now saying, "If you did everything perfectly, what you can theoretically get back from deregulation is nix to nil."

Mr Christopherson: What about in Alberta?

Mr Wilson: People in Alberta are still paying double the price for electricity that they paid prior to deregulation. In the first year, they paid five times. I was just on a cross-Canada CBC Radio show and they had people from Alberta on it. They are screaming, farmers are screaming, because they are in extreme pain, and they are going to be paying that double rate for the foreseeable future.

Even in England, where they're still taking out 20% too much, when wholesale rates dropped none of the savings got through to residents. It was all picked up by middlemen. What's happening now is that the big producers are beginning to close stations. So the British are now moving toward an energy shortage situation because they want those prices back up.

The Chair: With that, we move to the government side.

Mr O'Toole: I've listened and watched with some interest. You did work for OPG, I understand.

Mr Wilson: I did. I worked for Ontario Hydro and I worked for Hydro One.

Mr O'Toole: Were you on the Hydro One board?

Mr Wilson: Yes, I was.

Mr O'Toole: With Eleanor Clitheroe and all?

Mr Wilson: I was.

Mr O'Toole: That's good. Well, your record speaks for itself.

The only thing I would say is that the problem is—
Interjection.

Mr O'Toole: Do you think Eleanor Clitheroe was right, Mr Phillips?

Mr Phillips: Oh, I think she was wrong. You approved the deal.

The Chair: Would you focus on the witness?

Mr Phillips: It was the government that approved Clitheroe's deal, not you.

Mr O'Toole: He cost the people of this province \$2 billion right there.

Mr Wilson: I'd like to correct the honourable member. This member of the board resigned long before the wages and salaries—

Mr O'Toole: The other thing I would say is that he's wrong on Texas as well.

The Chair: Would you give the member a chance to state his—

Mr O'Toole: Texas, he should know, because he spent his life on energy as an engineer, has the highest level of what they call RPS, renewable portfolio standards, that the power coming on to the system will be of a renewable nature. The highest level of renewable portfolio standards in North America is Texas. So don't criticize areas—not that I'm supporting Texas, but I just wanted to correct the record, because you're wrong.

You're also wrong—and I think you should read the article from yesterday's Toronto Star, usually the Liberals' briefing notes. It's an article by John Spears. The article will help Mr Phillips understand the difference between the 3.8 cents and the 5.5 cents, the market price and the capped price that legislatively is on Hydro One. Some \$750 million will be part of the rebate fund. The total fund, mitigation as well as rebate, is \$1.2 billion. As the finance critic for the Liberals, I'm disappointed how little Mr Phillips understands on this program.

The Chair: Is there a question here?

Mr Phillips: Don't you worry, John.

Mr O'Toole: Looking at the article as well in the Toronto Sun by Steve Gilchrist, talking about conservation, do you think there is much room in conservation to really take some of the load off the grid?

Mr Wilson: I'll comment on your first three remarks.

Number one, I resigned from the board back in May 2000, long before the CEO and chair put the massive increases in for executive salaries etc that appeared. So I'm not with the last group of resigners.

Mr O'Toole: Sorry about that. I apologize.

Mr Wilson: Yes, I would think so, John.

The second thing is that the entire United States has theoretically—I'll explain why—12% renewables. Ten per cent of those renewables for the entire US are big dams, and there is a big to-do among environmentalists about how renewable and how devastating it is. Two per cent and dropping; that's the level of renewables that you have across the board. Yes, you can have a lot in a given state, but overall it doesn't amount to much. The percentage is extremely small. That has happened because of deregulation. As deregulation has come in, renewables have dropped, other than those that were mandated by states.

I won't argue with you on the numbers. Myron Gordon and I and all kinds of people who work in the electricity industry have looked at the numbers and we believe what we say.

Conservation was a big point I was trying to make, because what California did was, the following year after the lights went out, they paid people an amount on their bill, depending on what it looked like, to the previous year's bill. For instance—let's take an example—your bill is 10% higher: you pay through the nose for your entire use. Your bill is 10% lower: you get a big rebate. If it's the same, you pay the same. So what this did was take 12%—that's a massive amount—off demand in a single year and it cost them virtually nothing; C\$1.5 billion to take 12% of the demand of a state like California permanently out. Does conservation work? It is the only thing that will keep us from walking in the dark.

Mr Christopherson: On a point of order, Mr Chair: I want the record to clearly show that in the course of Mr Wilson's comments, when he had a chance to defend himself, Mr O'Toole did indeed apologize to him for being wrong.

Mr O'Toole: I thought he was on the board.

The Chair: Thank you. Accepted. Thank you, Mr Wilson, for your presentation.

That concludes this morning's session. We will now recess until 1 pm.

The committee recessed from 1202 to 1300.

PEEL ALERT

The Chair: The committee is now in session. Our first presentation is Peel Alert. Gentlemen, please come forward. For the purposes of Hansard, I ask that you state your names clearly when you speak. If there is any time left after your 20-minute presentation, it will be divided equally among the three caucuses. Welcome.

Mr Brian Johnston: Thank you, Mr Chair and members of committee. My name is Brian Robert Johnston. I'm a community advocate, and I am the appointed designate for the city of Brampton for mental health funding in the region of Peel.

Mr Michael McCamus: I'm Michæl McCamus. I'm the executive director of FAME, the Family Association for Mental Health Everywhere, which is a Ministry of Health funded program.

Mr Johnston: Our purpose for being here today is to convince all of you in this room that it's going to be worthwhile for you to make a recommendation to the Minister of Finance to correct an injustice that has stood for the past 20 years in the region of Peel with regard to funding for mental health and addictions. That's our first goal.

The timing is absolutely important for this, because we're at a point where we can no longer continue to provide the services that are being provided, and there will definitely be cuts to the community mental health field within the region of Peel. Addiction services are also very much affected because of the fact that we're so far behind the times with regard to the money we receive in the region of Peel.

Mr McCamus: I'm going to do the middle part of the presentation, and Brian will have some concluding remarks.

This is our second presentation in two weeks. Peel Alert is a coalition of nine Ministry of Health funded mental health and addiction programs. We've been working together over the last two years to draw attention to a basic premise, which is that Peel is the most underfunded region in the GTA for mental health and addiction programs. Michael Wilson, who is the chair of the mental health implementation task force for Toronto and Peel, has revealed that Peel is the second-most-underfunded region for mental health in Ontario. Mr Wilson made a presentation on January 16 with regard to the findings of the task force. We spoke just after his presentation. It was a hard act to follow, because he basically said it all. But the regional council of Peel unanimously voted in favour of the principle that the provincial government, the Ministry of Health, should provide funding in Peel that is equal to the Ontario per capita average.

Our strategy to this point has been to get unanimous motions of support. We have succeeded in doing that at the municipal level. We have met with all the members of provincial Parliament from Peel region. We are gaining support, we are gaining allies and we hope to win your support here today.

I'd like to start by getting down to basics. What are we talking about when we talk about mental illness and addictions? The World Health Organization has estimated that within their lifetime one in four people will suffer from a major mental health disorder; that is, schizophrenia, clinical depression or manic depression. What are these diseases? These diseases basically manifest themselves in the early part of people's lives, right at the time when people are finishing high school or starting university, right at the time when they're separating from their parents and gaining the skills and relationships they're going to need to lead decent and independent lives. These diseases come into their lives and affect their ability to concentrate, to remember and to have a healthy self-esteem. With schizophrenia, people experience hallucinations and delusions.

What part of your life is not dependent on having a healthy brain and having mental health? We take our sanity for granted. The World Health Organization is saying that one in four people will suffer from a mental health problem.

The services we're representing are not treatment. Treatment is done in hospitals; it is done with psychiatrists. Treatment only deals with one part of recovery, which is finding a way to gain stability in a person's life, to use medications or counselling to provide a minimum level of stability. Our services are based on reintegrating people into society, and this is a critical component of recovery.

The Mental Health Implementation Task Force wants a new mental health system that is based on the recovery model: the idea that in addition to medications, people should have supports in the community that give them a

chance at counselling and a chance at rebuilding relationships that may have been lost or damaged by having a mental health problem; gaining social skill, so that people can form relationships that will lead to employment or to friendships that will lead to people being functioning members of society; and housing and employment supports, so that people are not using hospitals as housing supports and are able to work and not depend on social assistance or other forms of government support.

This is what our programs are about. You've heard previous deputants talk about the effectiveness of community mental health programs. If a person is in hospital, it's anywhere from \$500 to \$1,200 a day; our programs are around \$50 a day.

That's the essence of what we're talking about.

Two weeks ago in the region of Peel, Michael Wilson revealed some very interesting statistics that have to do with mental health in general and also mental health in the region of Peel. Part of what he said is that the region of Peel is the lowest funded area in the GTA for mental health and addiction services. In Ontario as a whole, it is the lowest funded area. He said that the region of Peel has the lowest ratio of psychiatrists to residents for all Ontario. He said that depression is estimated by the World Health Organization to be the number one source of disability and death in the world by the year 2015—not cancer, not AIDS; mental health and addiction will be the number one source of death and disability. And he reiterated the comments of the Minister of Health, Tony Clement, that this is a problem that's been neglected by all parties and all governments for a good 30 years, and that it's time to correct this historic problem.

In conclusion, I'd like to lead you through one portion of the report that came to the region of Peel on January 16, and that is the chart that's in your package. It was a five-page report. Commissioner Szwarc of social services and Commissioner Peter Graham co-authored this report. The chart shows very clearly the disparity that is affecting Peel.

For alcohol and drug dependency programs, the Ministry of Health spends a per capita average of \$12.70 provincially; for Halton-Peel it is only \$3.86. For community mental health programs, the Ontario per capita average is \$22.50; for Halton-Peel it is only \$12.10.

We've had people suggest that maybe that's true and maybe we should look at hospitals. So this report looked at hospitals, and what we find is that for general hospitals providing psychiatric services, the Ontario per capita average is \$15.86; the central west region, which includes Peel, is not at \$15.86, it's \$9.22. Outpatient services: the Ontario per capita average is \$5.08, and we're down at \$3.31.

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So we have spent a lot of time and a lot of energy working with the region of Peel to find evidence of this disparity. You have evidence from the Ministry of Health's task forces on mental health, calling for reform of the mental health services. On top of that, Peel is one

of the fastest-growing cities in all of Canada. Brampton and Mississauga—the population of Peel will double between 2001 and 2016. So we're already starting behind where we should be in terms of the Ontario average and we've got a population explosion that eats into our funding every year.

Mr Johnston: I'd like to add that for the past 10 years, since 1992, the base budgets for community health services and addictions within the province of Ontario have been frozen. So what you find is there are more people residing in the province of Ontario, the base funding has been frozen for what will now be 11 years and, with every four people, you have another individual who is going to be affected and needs to have services provided for them within the entire province.

Because of the demographics and the growth that's existing in Peel, we're at the point where we can't look after any more individuals who are truly suffering with mental health issues or substance abuse problems. It's going to result in the following. We're going to end up losing staff. I know the Canadian Mental Health Association is going to lose six full-time staff within the next three years unless something is done.

The bottom line is that there has been an injustice that has taken place for 20 years within the region of Peel when it comes to mental health and addiction dollars. We have an opportunity now to do something about that. In my concluding remarks, I'd like to say that you're going to see within the package as well a motion that came forth from the region of Peel with regard to this issue. There is also a letter that was hand-delivered to me yesterday by Mayor Susan Fennell that spoke about the disparities and the fact that something has to be done because more and more people are moving and making the decision to live in the region of Peel, and they're running into these problems.

Another thing Michael didn't mention was that three out of every four individuals who have a mental problem are looked after by caregivers in the home. What happens after time is there becomes perpetual burnout of those individuals, and they too become affected, which is a very, very costly thing because they end up in hospital as well.

My final remark is in the letter we drafted to this committee. I'd just like to say that Peel Alert would like to thank you for hearing us today. You are the individuals who have the power to make recommendations to the budget committee for the purpose of supporting us, and I would just ask that you strongly look at what we've said here today and what is presented in these packages in your deliberations, so that for once and for all, we'll be able to fix this injustice. Michael can take over now and end with his closing remarks.

Mr McCamus: I would simply say that we know from the research that's been done on these services that these services transform people's lives. People who have suffered from severe illness and severe disabilities find their lives transformed by meeting others who have suffered through the same illness, supporting each other,

finding a decent doctor, finding a support group, getting into employment programs, getting into transitional housing programs and getting to a state where people are able to look after themselves, are able to make a contribution to society and feel good about their lives and feel good about being part of a healthy, productive economy. That's what we should be going toward, and we can't do that without the funding, so it's imperative that Peel not be left behind. Peel should be funded at the Ontario per capita average just like everybody else. Thank you.

The Chair: Thank you, gentlemen. That leaves us with just less than two minutes each caucus, beginning with the NDP.

Mr Christopherson: Thank you, gentlemen, for your presentation. I have the Hamilton Psychiatric Hospital in my own riding, so I'm very familiar, as well as, like many other people, having a family member who has been involved in issues of mental health. So I know firsthand, both as an elected rep and as an individual, the impact this can have on people's lives. Certainly being a catchment area, the HPH is—if you'll look at the charts you'll see that we're not far off from you in terms of the underfunding, trying to meet the growing need and the growing demand that's there.

The other thing that just happened—and I'm going to support this very much, but of course it will be on a provincial basis because I can't support your community without supporting my own, because we're facing the same challenges you are. In terms of addiction services, we just had the absolute disgrace, in my opinion, of seeing the Hamilton Health Sciences Corp shut down our only residential addiction facility. I believe it's Moreland House. I'm going to check that and if it's wrong, Chair, I'll ask for the record to be corrected. But going from memory I really believe it was called Moreland House. We've had people come forward and talk about how it changed their lives, people who said, "If I'd had to drive the extra distance out of Hamilton and go somewhere else, I don't think I would have." When they remember the kind of frame of mind and the state of health they were in at the time they were reaching out for help, the thing that saved them was that in their own community they had somewhere to go and they said, "I need help," and their lives were turned around. We all know many people, certainly those who have broken away from the addiction of alcohol, to see how their life just turns—a different person, a different everything.

Now we've been told—and nothing negative to any of my colleagues representing other areas. But to tell a Hamiltonian, "You've got to drive to Guelph to get a residential addiction service," is just crazy. It makes no sense at all, and at the end of the day it speaks to the underfunding. The Hamilton Health Sciences I think made a poor choice, but I understand the fact that at some point they're having to make some kind of choice because there's just not enough money to meet the needs. So we share it. We're neighbours. We share what you're going through and you've nailed a lot of things that need

to be addressed. I hope the government will respect that and respond.

The Chair: Thank you, Mr Christopherson. We go to the government side. I think Mr Beaubien was first, and Mr Sampson, if you leave him some time.

Mr Beaubien: Thank you, Chair. I'll take a quick comment. I think you closed your presentation by saying, "We expect to get basically the same level as everybody else." I think we have to look at the severity of cases that different communities may be dealing with also as opposed to just saying, "We expect the same level of funding."

Keeping on that line, this morning there was an article saying that the homeless cannot be forced to seek help. Maura Lawless, who's the acting executive director of the Fred Victor Centre, said that staff cannot require residents to seek medical treatment against their will. I would imagine that applies with your organization. How do you deal with a situation where people refuse to be helped? How do you deal with them? You can't force them.

Mr McCamus: We don't find many people refusing help. Our biggest problem is people who want help and can't get it.

Mr Beaubien: No, no, but I'm asking, the people who refuse to get help. That's the question I'm asking you. How do you deal with that?

Mr McCamus: Well, we have a constitutional bill of rights that protects people's security of the person. So I'm not sure it's something that can be corrected by public policy. I know that the—

Mr Beaubien: But how would additional funding help you in dealing with that?

Mr McCamus: Well, I'll give you an example just from our agency. A lot of families are very mistrustful of the system because they've been let down so many times. People don't return phone calls and so on. Our services require you to build a relationship with the family, build a relationship with the patient, a trusting relationship. If we lose one staff we lose 200 relationships with 200 families and 200 patients. This is why it's critical that we have enough staff and that staff have enough time to build these relationships. It may take weeks, it may take months, to convince a homeless person to come in out of the cold, but if you have the staff and you have the time and you have the resources it can be done.

Supportive Housing in Peel are experts on this. We have people who know how to do this. We would love to give a presentation on how to deal with people who are treatment-resistant. But that isn't our biggest problem. Our biggest problem is people who want help, people who are seeking help and can't get it because there's not enough beds, there's not enough staff, there's not enough funding. That's our big problem.

The Chair: Mr Sampson might have the opportunity to speak with you after because there isn't enough time right now. We will move to the official opposition.

Mr Kwinter: Thank you for your presentation. Are you funded on a per capita basis?

Mr McCamus: No, we're not.

Mr Kwinter: The only reason I'm asking that is that when I looked at this there's no question that on a per capita basis Peel is, as you say, at the bottom of the list. It didn't make any sense to me, if people were being funded on a per capita, why you'd be singled out. It would seem to me that the problem you have is that you were given block funding and your population has grown to such an extent that it really works out that, on a per capita basis, you're not getting enough to service them. Is that true?

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Mr Johnston: That's exactly right, yes.

Mr McCamus: And the budget freeze for the last 10 years has accentuated that process. I'll give you an example just from our agency. We get the same budget every year from the Ministry of Health, but because we're in a high-growth area we have to help more people each year, according to our mandate. So what happens is, each year there are costs that go up—the price of gas goes up, the price of insurance goes up, the price of rent goes up—but our budget's the same. So we are actually taking money out of the programs that are supposed to help people and giving it to insurance companies and giving it to landlords and giving it to the gas pump. We don't want to do that, but this is the situation we're in.

So not only does Peel need an adequate level of funding, at least at the Ontario per capita average, in coming years, but in the next 10 to 15 years, we're going to need some adjustments in terms of the huge population growth. Brampton and Mississauga are in the top five fastest-growing cities in Canada.

Mr Johnston: The other thing I think is really important to note is that in the case of Michael's agency, we have one worker for the entire region of Peel, which is now over a million people. One person cannot treat the one in four the way they need to be treated, along with the families, because Michael's agency deals with the caregivers, the family members. One person can't do the job and there's just no way to hire anybody else. You're at capacity, waiting lists have started and they're constantly growing.

I don't know what other solution there is except to come forward and say, "This is something that we recognize, we acknowledge, and we know that we're going to take care of all the residents in the province of Ontario," and Peel is part of those residents.

Mr McCamus: If I could just add quickly, we do know that in the Ministry of Community and Social Services there has been an effort to find a funding formula that would bring people up who are below the Ontario per capita average. I think this is something that should be seriously considered in the Ministry of Health, not just the Ministry of Community and Social Services.

The Chair: Gentlemen, thank you. That concludes your time. I appreciate your presentation and I'm sure the committee will take your presentation into full account in making its recommendations to the minister.

ONTARIO UNDERGRADUATE STUDENT ALLIANCE

The Chair: Our next presentation is the Ontario Undergraduate Student Alliance. There will be 20 minutes, and if there is any time left over after your presentation, we'll try to split it equally amongst the three parties. Welcome. Please state your name clearly for the purposes of Hansard.

Ms Leslie Church: My name is Leslie Church. I'm the executive director of the Ontario Undergraduate Student Alliance. With me today is Sara Lyons, who is our director of research and policy.

It's a pleasure to be presenting before the committee today. I'm going to draw your attention, in the package we've provided to you, to the PowerPoint notes on, I believe, the left-hand side.

There are a few things I'd like to do in the presentation today. I'm going to start off with some general comments about the current state of post-secondary education in the province and then move into the recommendations that we have specifically for this committee and, of course, for the upcoming provincial budget.

In terms of the key issues, I'd like to talk a little bit about enrolment and overall demand in post-secondary over the next decade and our concerns about quality, affordability and access at our institutions today.

In terms of growing enrolment, it has of course been the subject of quite a bit of press in the last week—the notion of the double cohort and the extra students, about 70,000 of whom are going to be entering the system in September. It is one of our concerns that the double-cohort issue is not a stand-alone issue that's going to disappear this September when students enter. There's a major issue with not only preparing our universities over the next three to four years to create the infrastructure, both at a human and a financial level, to be able to provide these student with the quality of education that they need, that they deserve, at their higher levels when class sizes, by necessity, have to be smaller and access to faculty greater than they are now and what they will be in the current state of education. We expect an additional close to 90,000 students between 2003 and 2010, just to give you an idea that this double-cohort issue is just the first peak in enrolment over the next 10 years.

Of the group of graduating students who want to attend university, that group will also, we estimate, grow by at least half over the next decade. So the bottom line here is that demand is on the rise for post-secondary education not only in terms of demographic growth and the elimination of grade 13, but also generally just because of the necessity of post-secondary education, the value that it provides to the business community, their demand for post-secondary, and naturally, students and parents responding to that demand. Ultimately, universities, because they produce skilled graduates and creative thinkers, will be the ticket to the new economy.

Looking at this graph of growing enrolment, an extra 88,000 students in the system is equivalent to building a

new University of Toronto, Western Ontario and Brock, just to give you an idea of the scale of what 88,000 students means to the post-secondary system.

In terms of quality concerns that we have right now, Ontario is last among the provinces in terms of its operating grants to universities. Government funding has fallen from approximately \$7,500 per student in 1991 to \$6,500 in 2001. We have the highest faculty-to-student ratio and at the peak of double-cohort enrolment we estimate that approximately one third of all faculty in this province will have reached retirement age.

Additionally, we have concerns about deferred maintenance. The number of support staff at our universities has declined by nearly 20% in the past decade. Also, some outstanding concerns were presented and replied to in the Investing in Students Task Force of the Ministry of Training, Colleges and Universities, but we haven't seen these recommendations implemented in terms of student services.

So the bottom line here is that while other provinces tend to be levelling off, if you look at the graph of declining quality in terms of their student-to-faculty ratios, Ontario's continue to rise, and a lot of that has to do with the surge in enrolment.

Our third issue is affordability for students. Our average tuition is the second highest in Canada, next to Nova Scotia, and student debt has reached an all-time high of just over \$21,000 this year. This does not include the private debt that we estimate is incurred by about 20% of students in a four-year undergraduate program. So this is irrespective of the deregulated programs in the province.

Today, to give you an idea, a student must work about 660 hours at minimum wage in order to pay strictly tuition and fees. In 1977, a student would have had to work only about 235 hours to pay the same fees. So there has been a dramatic increase in the cost of education, and the rest of society, in terms of the cost of living, in terms of the student financial assistance available, has not kept up.

In terms of the deregulation initiatives that we've seen in the last few years, we're concerned that, first of all, if the average student is graduating \$21,000 in debt after their first four-year program, this is going to impact the choice of those students looking into graduate or professional programs. Additionally, students graduating \$60,000, \$70,000 or \$80,000 or more in debt are no longer the exception; it's now becoming the norm for students who enter these programs. The question I ask you as representatives of broader society is, where do these recently graduated professionals go when they're carrying that level of debt? My concern, on behalf of our organization, is that it is in fact to Ontario and Canada's detriment that a lot of these students are considering jobs in the United States or looking strictly at the high-paying corporate jobs. Their options are being restricted to those two based on the level of debt they're coping with immediately after graduation.

In terms of accessibility, one of the major themes we'll have in terms of our recommendations is addressing the issue of affordability in terms of student loans, making sure that students have access to the financial resources ahead of time as they enter their degrees. Currently, a single student in Ontario is eligible for only \$9,350 in student loans. That's low across Canada.

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Parents are expected to make a substantial contribution to their children's costs for five years out of high school, which again differs from the Canadian perspective where parents are only required to contribute for four years. If you think of the four-year degree program, that's a much more natural break in terms of parental contribution than the current five years required by Ontario student loans.

Additionally, the millennium scholarships are now going into their third year of implementation. Our concern here is that the way they have been implemented in Ontario has really not done a service to students in the way those scholarships were intended. They have not added considerable new funding to students nor have they reduced overall debt loads. One of our recommendations we'll see in a moment will address the millennium scholarships specifically.

Let me draw your attention to the notion of parental contribution for a moment, because there has been some new ground made on this issue. First of all, it is our position that parental contribution is right now a blunt instrument. It does not reflect a student's age or year of the program. As you can see here, this information we're providing to you is from the millennium scholarship Foundation, in conjunction with EKOS Research and the Canadian Undergraduate Survey Consortium. What you see is that the distribution of students expecting parental support decreases fairly dramatically over the course of a student's four years out of high school. What a student can expect from their parents is not the same in their first year as they would expect in their fourth year, but the way the program is set up right now, parents are expected to contribute virtually the same amount every year, based on their income.

This also does not concede the possibility that it might be reasonable to expect a \$10,000 contribution in a student's first year from their parents, but over the course of four or five years, that same contribution for your average Ontario family is unreasonable if you're looking at a \$10,000-a-year saving to supply to a single student in university.

A second point here is that students have no appeal if their parents don't contribute or contribute less than the mandated amounts. Students who do not receive government loans are no more likely to receive parental support than those who do.

The bottom line or the overall picture of post-secondary as we see it is that tuition and the cost of education have increased dramatically. Provincial operating grants over the same time, adjusted for enrolment and inflation, have decreased dramatically. The province must respond

to the rising demand and falling quality by funding all prospective students and bringing per-student funding in line with the national average.

In terms of our recommendations, here is what we would like to see from this committee and in this upcoming year in Ontario.

To address our issues with enrolment, we would like to see a reinvestment of \$150 million to cover the additional double-cohort students, which has been estimated at \$70 million, and to begin addressing the need for growth and current unfunded students in the system, with a reinvestment of \$80 million.

In terms of our concerns about quality, faculty, support staff, space, we would like to see Ontario commit to a quality audit of Ontario universities in order to identify areas in crisis and create benchmarks for future planning. We would like to be able to hold universities, the government and student associations, which are a major service provider these days, accountable. We would like to be able to pin down a vision for Ontario: where are we going to be eight or 10 years down the road? Can we plan for that using a set of benchmarks that we bring together from the various stakeholders in the post-secondary community?

In terms of tuition, we would like to see a recommitment to a tuition freeze for an additional four years. We would like to see the students' share of operating costs reduced to one third of the university budgets, and we would like to see a commitment to an immediate freeze of tuition levels in deregulated programs, pending a review of financial assistance and access. The model we would like to look at is, if students are contributing one third of the share of the operating costs, that would be two thirds to government and other university sources.

If we look at this graph on the share of tuition in Ontario's universities' operating revenue—it's listed as figure 4—the bar for the appropriate levels of tuition is creeping up and has been creeping up over the past decade: 25% in 1992, 35% in 1999, to over 41% currently. It's too much for students and I don't think it recognizes the true value of universities in the larger society and the impact they have.

Finally, in terms of our concerns about student finance, we would like to see loan limits raised to \$325 per week, so that's raising the annual student loan by about \$1,700, bringing us more in line with provinces like Alberta and Nova Scotia, which share similar tuition fees to Ontario, and maintaining at the same time the current levels of loan remission at \$7,000 so we are keeping student debt levels in check. We would like to see a review and reduction in parental contribution expectations and a renegotiation of the millennium scholarship bursaries to provide additional yearly funds to the students who are the neediest and at the loan cap right now—so above and beyond the \$9,350 limit.

If I can just conclude on one note: I think these are some small steps we can take in improving students' access to education and the affordability of education for current and future generations of students. Most

importantly, what's good for our university system and for students is good for Ontario. We can look down the road and be proud of the fact that we have a well-educated society with members who have completed post-secondary degrees at universities and colleges here in the province, who are contributing members of society and giving back what is put in to them now, as students.

The Chair: Thank you, Ms Church. That leaves us with just less than a minute per caucus. We begin with the government side. Mr Sampson, quickly.

Mr Sampson: Thank you very much for your presentation. There's a lot here, and I can't do it in less than a minute, but one of the charts that I've seen a couple of times and I really can't understand is the quality chart, the student-to-faculty ratio. You've got this going back to 1988. This isn't your chart; it's somebody else's.

Ms Church: Yes.

Mr Sampson: I happen to have gone through the system myself—a little earlier than 1988, I must admit—and I don't ever remember having a class that was less than 30 or 40 people and one professor. In fact, my first year poli-sci course was I think 300 people. I saw the professor once a week and that was it. That's probably why I'm here; I didn't get all that much from him. Maybe that was a good idea—or a bad idea, I'm not sure.

I think probably part of the problem is that if you take a look at the fine print, it talks about full-time enrolment. A lot of universities have a lot of part-time enrolment, which changes these numbers significantly one way or the other; I'm not too sure which way. I can't relate that to personal experience prior to 1988. I don't know where that ever came from. I suspect maybe some arts courses did have one or two profs and two or three students, or whatever, but the average I saw was at minimum 30 or 40 students per professor, whom you never saw after the class was over.

Ms Sara Lyons: This is actually a graph of the number of faculty employed at the university vis-à-vis enrolment, not average class size. This is actually full-time-equivalent enrolment, so part-time students are—I think the multiplier is about 0.35, added in.

The Chair: We move to the Liberal caucus.

Mr Phillips: I was taken by your chart on page 7, I think you call it figure 4, with the share of funding provided by the students. I do remember that campaign document of the government, I think it was actually in 1995, that it was going to be at 26%, and then the last time it was going to be at 35%, and it currently is at 41%. That's an observation, because I only get one question.

The debt that you mentioned in your remarks caught my attention as well. Is that average student debt or is that for students who have a debt?

Ms Lyons: That's for students who have debt.

Mr Phillips: What percentage of the students might that include?

Ms Lyons: I think it's just over 50%, or right around 50%.

1340

Mr Christopherson: Thank you for your presentation. I'll try and squeeze in two quick questions, if I can. One is on the millennium scholarship. This reminds me very much of the child tax benefit, where the federal government provides a direct benefit for children and families that are on social assistance, and this government deducts that amount from what they get from the province, so there's absolutely no benefit from their own federal government trying to do something good. In this case, there's the same kind of offset, so if you could just maybe expand on that a little bit, because I think it's important for people to understand that, again, these aren't just one-off decisions; this is a way of thinking and an ideology of approaching issues where there's funding coming from both the provincial government and the federal government to one of our citizens.

Secondly, on the double cohort, the one thing I never hear mentioned—and I've probably got it wrong, so maybe you can clarify it for me—is it seems to me that one of the pressures and one of the crises is also going to be that at the end of four years there are going to be twice as many graduates chasing the same number of jobs. That seems to me to be a future crisis we're heading into but, since nobody's talking about it, I'm assuming I'm missing a major component of this.

Ms Church: To touch on the first point about the millennium scholarship, the program doesn't work in Ontario as it was intended to or implemented in most of the rest of the country. Students can max out their Ontario loans at \$9,350. The grant they get as a millennium scholarship is then deducted off that loan, basically replacing loan funds with granted funds. The remainder, from \$6,300 to \$6,000, is then remitted at the end of the student's program. In comparison to how the system works for a student who doesn't receive the millennium scholarship grants—they would get a \$9,300 maximum loan and then at the end of their program be remitted in terms of loan forgiveness to \$7,000. So there is a \$1,000 net benefit to the students who receive the millennium scholarship.

Ms Lyons: But for money in pocket in any given year, there's no benefit whatsoever. It's just rolled in and, at the end, you would owe \$1,000 less—and that's on a \$3,000 grant. So it's a bit of a displacement.

Mr Christopherson: So there's \$2,000 there where Ontarians just aren't getting the benefit.

The Chair: Thank you. That constitutes the allowed time. We appreciate your input, ladies.

ONTARIO PUBLIC SERVICE EMPLOYEES UNION

The Chair: Our next presenter is the Ontario Public Service Employees Union. Good afternoon, Ms Casselman.

Ms Leah Casselman: Good afternoon.

The Chair: I think you know to state your name for the record.

Ms Casselman: I sure do.

The Chair: And you know the timing: whatever time is left over we will try to allocate among the three parties. Welcome.

Ms Casselman: The seat's not too hot, so it couldn't be that difficult a day. Good afternoon. My name is Leah Casselman. I'm the president of the Ontario Public Service Employees Union. Mr Sampson, nice to see you again. I didn't realize you were still around. Thank you for the opportunity to address these hearings.

Mr O'Toole: Cheap shots.

Ms Casselman: They get cheaper.

OPSEU represents 100,000 public sector workers, including the vast majority of workers directly employed by the government of Ontario. The decisions made in this upcoming budget will have a direct impact on our members, their families and the communities they serve.

When I last addressed the committee in the lead-up to the 2001-02 budget, I suggested to the Conservative members of the committee that their government was going to have to adapt to a changing province and a changing public mood. It was clear to me, and I am sure to most of you, that whatever public appetite there may have been in years past for scapegoating, slashing taxes and cutting public services, it had long since been satisfied.

However, I was as surprised as the next citizen to see how quickly the new Premier reversed course and tried to put the Common Sense Revolution behind him. Mr. Eves knows that he and his government have a serious image problem and he has so far done a great deal of damage control. While this is an encouraging, if somewhat insincere, development, you will not be surprised to hear me suggest that there is work left to do. It's not enough to do damage control. The government should also take the opportunity of this final pre-election budget to demonstrate real compassion for those who suffer today and a vision of hope for those who will build Ontario tomorrow.

This spring, the government faces a critical choice: will it try to blow into the embers of the Common Sense Revolution by returning to an agenda of fear and short-sighted tax cuts, or will it return to the older, successful tradition of moderation and public service embraced by Bill Davis and his predecessors?

It is our position that the Ontario government should be in the business of offering compassionate and visionary leadership rather than continuing in the business of putting government out of business. In that respect, I was discouraged to read Minister Ecker's testimony before the committee yesterday, and in particular her boasting about the government's success in reducing spending on non-priority areas like the environment by 30% since 1995. You cannot draw an artificial box around health and education and assume that all other services are non-priority until proven otherwise. Has Walkerton taught her nothing?

Take social services, for example. It is time to finally address the situation of the poorest, most marginalized

members of our society. It is time to finally increase social assistance rates once again. It has been eight years now since welfare rates were slashed by 22%. Despite inflation and higher rents, the rates have been frozen since then. Similarly, for the 500,000 workers who make the minimum wage, their pay has not been increased for eight years, again despite rising costs.

Today, and this is some legacy for you folks, almost one in five of Ontario's children live in poverty—one in five. That is simply not acceptable and, I would argue, is not going to improve our collective future as a society.

As for the disabled, the story is no more encouraging. The maximum monthly Ontario disability support plan benefit is only \$930. How are the disabled expected to make ends meet when this amount barely covers their rent?

We believe it is time that the government showed some compassion by addressing these disparities. Whatever anger was out there toward those who depend on government support has long since been satisfied. The point has been made, and it is time to move on.

In the two areas the government is willing to accept as priorities, there are things that can be done now to further soften its image before facing the electorate. Our post-secondary education system desperately needs a serious infusion of public funding and commitment. Ontario's network of colleges and universities, a shining example of the vision of earlier Conservative administrations, faces huge shortfalls in maintenance budgets and increasing regional disparities between institutions. As well, the current age profile of our faculties means that large numbers of professors and support staff will be retiring even as the size of the student body continually increases. Finally, with the double cohort we face the prospect of qualified students getting a scaled-back education or no education at all.

Economists and administrators across the world are beginning to realize that a strong education system, good public services, greater social equality and a high quality of life for all are the keys to future prosperity. A strong, healthy society draws talent from around the world, not tax cuts for the wealthy and service cuts for the rest of us. It is not enough to establish a committee to introduce smart growth. The government needs to demonstrate to the public that it understands what smart growth actually is.

The last issue I would like to touch on is health care. Our members and your constituents expect and demand a mature response to the Romanow report. This was not, as the Minister of Health always mentions, just another report. This is the most extensive and best-researched study of our health care system we have ever had in Canada.

Mr Romanow made a number of important recommendations. First, of course, he firmly shut the door in the face of private sector health care providers. He went out of his way to solicit everywhere any evidence from the private sector to show that private, for-profit health

care is better than our current public system, and the evidence was lacking.

Second, he called for greater transparency in health care funding. Yes, the federal government must restore its share of funding, but not without accountability to the public, and who could argue with that? Unless there's some hare-brained scheme in the works to use public health care money to subsidize private sector profiteering, I cannot understand why this government would oppose greater transparency and accountability for the spending of our tax dollars.

1350

Like most Ontarians, our members expect and demand a greater role from the federal government, but we also expect and demand that provincial governments respond in good faith by implementing the recommendations of the Romanow report. It's time to get on with the job.

Earlier this morning, I announced that February 13 would be a day of action for health care professionals across Ontario. Our 5,000 members provide diagnostic, therapeutic, and rehabilitative services. Without their work and technical expertise, your doctor is just guessing.

The Ontario Hospital Association needs solid funding assurances and a swift kick to get back to the bargaining table. Staff turnover is increasing and it is having a direct impact on patient care. This is not an area that can be ignored by the government. We may be facing a smaller, less powerful employer across this particular bargaining table, but we know full well who the real employer is. We would rather have this issue and other challenges facing our members working in health care addressed by a newly compassionate government in this upcoming budget, rather than addressing this issue at all-candidates' meetings.

To help build a more compassionate Ontario tomorrow, we need to invest in public services today. I would urge the government to resist the temptation to return to an agenda of lower taxes. In particular, the suggestion that was made yesterday that further tax cuts are necessary because of the Bush administration's proposed tax cuts is patently self-serving. We do not know what Congress will do with Bush's proposals, and there is no indication that Canadians expect or want their governments to follow the American line, in any event. In war as in peace, Canadians expect our political leaders to act independently and in our society's best interests, not to continually tailor our social fabric to fit the latest developments in the United States.

In closing, I believe that the choice before you is clear: provide the people with a vision of hope where our province's strength is rooted in compassion and a shared high standard of living, or return to the bad old days of Mike Harris, when strength was measured by how far and how long you could keep other people down.

Thank you very much. I would be pleased to answer any of your questions.

The Chair: Thank you, Ms Casselman. We have roughly two minutes per caucus, beginning with the Liberals.

Mr Phillips: We did hear two days ago, actually, from the Minister of Finance that they are planning to cut corporate taxes 25% below the US. Bush is not making any cuts in corporate taxes so it's not trying to stay well ahead of George Bush. It's just that the government says that in order to compete in Ontario, we need taxes 25% below the US. That's not an insignificant amount of money, I would add. Every tax point of corporate tax is worth at least \$400 million, so in Ontario, to be 10 points below is forgone revenue—part of it is federal, by the way—of about \$4 billion.

I was interested in your final two pages. I guess it's a question for your membership, but do you think we need corporate taxes 25% below the US to survive, or would we do better to invest that in some other economic activity?

Mr Jordan Berger: My name is Jordan Berger. I'm the supervisor of strategic planning and policy development for OPSEU. I'll just answer that question. The short answer is no, we don't think it's necessary. I think it's pretty clear, from a lot of the work of economists recently, that the main driver of economic growth in this century is going to be talent and attracting talented people. What attracts talented people is not low corporate taxes but in fact a good standard of living, good quality public services, good recreational facilities, livable cities. In short, smart growth really is about putting investments in people. That's what pays off in the long term.

So no, we see that as a rush to the bottom. Quite frankly, especially with George Bush in office, it's not a contest that we can win. We can't. There really is not the room to continue trying to keep up with the United States, let alone undercut their aggressive moves on taxes. We don't know what the final package will look like.

Mr Phillips: The government, in its documents on why to invest in Ontario, says, "Come to Ontario because the costs for a manufacturer or an employer are \$2,500 less per employee for the same health coverage than the US." In other words, there's a \$2,500 cost advantage because of the way we fund health care here. We say we will essentially self-insure against all of us.

The Chair: Question?

Mr Phillips: It's also kind of a question of, if we have that \$2,500 cost advantage, why do we also need a 25% lower corporate tax for the province?

Mr Berger: Again, I think there's a bit of hypocrisy there. The argument that's used to attract investors is based on what I think the government sees, and a lot of us would agree, as our true competitive advantage. The health care system is a huge advantage for our ability to keep and attract new companies. That's absolutely true. But when it comes to internal issues in Ontario and domestic politics, there's a completely different rationale that's taken, because really they're mining for votes there

and not investments. We see that as being a huge gap and hard to explain, quite frankly, on the face of it.

Mr Christopherson: Thank you, Leah and Jordan. It's good to see you both again. The first thing I'd like to do is just underscore, particularly for the benefit of the government members, the fact that with one exception, a rather simple reference to the hospital association getting back to the bargaining table, the entire presentation made on behalf of the employees of the provincial government was about the services of the provincial government and their impact on the public and their families and their quality of life. It's not a self-serving document, and that needs to be underscored.

I also wanted to mention, and I will squeeze a question in here, that you make the statement about "Economists and administrators across the world are beginning to realize that a strong education system, good public services, greater social equality, and a high quality of life for all are the keys to future prosperity." I talked to Mary Webb from Scotiabank Group the other day about that very issue, and she was in agreement that without those very components being part of our society, we are not going to succeed. In fact, she also endorsed the notion that chasing for the lowest wage, to pay the lowest wages around the world, is not a game that we can win either. So you might want to reference that in the Hansard, because it supports what you're saying here.

It's also interesting to note—I made this point then too—that President Bush came into office with a \$237-billion deficit and all of the right wingers claiming "finally, finally, finally"—and I would point out it was a Democrat who got them to that point, by the way, not a Republican—and the first thing Bush did was find out that there's a priority: not health care, not education, not the environment. What's the priority? War, and getting ready for that has got them \$275 billion in debt in one fell swoop.

The Chair: Question?

Mr Christopherson: My question is this: with all of the tax cuts that have taken place and the pressures and eight years now living under this regime, can you just give us a quick thumbnail sketch of what's starting to happen or what is happening to public services across this province as a result of eight years of cutting back, cutting back, cutting back?

Ms Casselman: One of the examples is the number of consultants that you see buried in the budgets of each ministry. They have cut, of course, a number of public sector workers. The workforce is much older because all the younger ones were laid off. As I flew back from the Soo yesterday, I was sitting beside a manager and he said, "Yes, I was at this guy's retirement, and two days later he's back as a consultant making three times what he was three days before." That's how they're hiding, and then bringing back people in to do the work that needs to be done. But we are seeing cutbacks in each ministry. Again, the spending hasn't quite frankly gone down, because they're hiding it.

Mr Beaubien: Thank you very much for your presentation. Your friend Buzz Hargrove was here yesterday. He mentioned in the paper today, "If governments don't give DaimlerChrysler ... financial help to build an assembly plant in Windsor," the industry is not going to be there. I heard you talk about high standards of living and productivity. Buzz also talked about that. In order to maintain our high standard of living and productivity, we have to improve our auto industry. Basically that's the economic engine of Ontario right now.

You seem to be against tax cuts, and Mr Phillips talks about lower corporate taxes. But even Buzz Hargrove realizes that the government has a role to play, whether it's in tax cuts or partnership or whatever, in order to maintain the high standard of living that we have by having good, high-paying, quality jobs. Now, if they're willing to make concessions in order to attract this new facility in Windsor, how do you respond to that?

1400

Ms Casselman: I guess the difference between Mr Hargrove's members and mine is that mine were the 30% or 40% in the Ministry of the Environment that your government cut and we ended up with Walkerton.

Mr Beaubien: But Walkerton was a public utility run by public employees.

Ms Casselman: Yes, without the inspectors, without all the guidelines, with no one enforcing anything that was going on up there.

Mr Beaubien: But—

The Chair: Would you let Ms Casselman answer, please.

Ms Casselman: I do believe that Justice O'Connor has made it pretty clear what happened in Walkerton.

In Windsor in particular, with DaimlerChrysler, I do know that workers down there need health care. We can't retain the type of health care professionals we need in Windsor, because they're going across the border and working in Detroit for substantially more money. So you can have a worker—and I think we're arguing out of the smart growth argument that Jordan was talking about. They live in a community. So their kids are going to go to school, they're going to go to college, they're going to go to university, they're going to get into trades, they're going to go to the grocery store, they're going to have parks and recreation opportunities, hopefully, because it's a family, it's a well-rounded community these people live in. They don't just go to work and then go to work. So you have to have that infrastructure in these areas. You have to have roads, you have to have sewer systems, water systems, and they all are part of the public system that we're arguing for. So it's a combination of both. You can't have one without the other.

The Chair: Thank you, Ms Casselman. We appreciate the input you brought us today.

ONTARIO SOCIETY FOR TRAINING AND DEVELOPMENT

The Chair: The next presenter is the Ontario Society for Training and Development. Please come forward. Please state your names when you begin to speak for the record of Hansard, and welcome. If there's any time left after your presentation, it will be divided up equally among the caucus members for the 20 minutes.

Mr Bob Canuel: Excellent. Thank you, Mr Chairman and members of the committee, for inviting us here today. My name is Bob Canuel. I'm a member of the board of directors of OSTD, the Ontario Society for Training and Development. I'm also vice-president of human resources for Hallmark Canada. With me today is Lynn Johnston, the executive director of OSTD.

First of all, on behalf of OSTD, we both appreciate this opportunity to participate in the 2003 Ontario pre-budget consultation process, and we welcome this chance to provide input on Ontario's budgetary policy, particularly in the area of training and skills development for Ontarians.

At OSTD, we are committed to working with the government to help develop and facilitate innovative ways to assist Ontario's workforce to both retain and enhance its productivity skills and learning and development.

To give you a bit of background, OSTD has been in existence for more than 50 years, and today we are the largest association in Canada dedicated to the profession of training and development. Our mission is to set the standards for and promote excellence in our profession. We currently have 1,700 members, including approximately 10% from outside Ontario, and we represent over 1,000 companies and organizations. We also have an alliance with our US sister organization, the American Society for Training and Development, which has 70,000 members in the United States.

We continue to promote partnerships with our provincial counterparts in order to share best practices and maximize benefits for our members. Further, we are currently considering transforming OSTD into a national organization, an idea that was endorsed by 90% of our members at our annual convention this past November.

OSTD members are involved in all aspects of workplace training, from delivering executive leadership and coaching programs to designing technical training programs for machine operators on the shop floor. Some training is classroom-based and some delivered through learning technologies. Basic literacy skills in the workplace are an important issue for us. In all cases, the learning principles behind the training are the same, and the success or failure of any training program rests on those principles.

All of our members work in some capacity in training or organizational development, including private sector organizational service groups and human resource de-

partments of companies and corporations of all sizes. Every sector of the economy is represented in our membership, including government, health care, consulting, finance, manufacturing, transportation and IT. Conservative estimates have calculated the training and development budgets of our members at approximately \$175 million annually. That's a quick look at who we are as an organization.

Now I'd like to just take a few moments to tell you about some of our key services and offerings. OSTD and our members have worked extensively to define the specific competencies required for the training and development profession. These competencies have been divided into five categories and are published as the Training Competency Architecture, or TCA, and this comprehensive text has become the how-to for the industry.

Another key program of ours is the certified training and development professional program. This is our gold standard for professional trainers. Holders of the CTDTP are recognized for their high levels of knowledge and achievement within the industry and as having met the standards of performance developed by OSTD.

Members of the committee should know that the Ministry of Training, Colleges and Universities has designated the CTDTP certificate holders as one of the groups of professionals eligible to assess curriculum in private career colleges.

In a continuing effort to promote the importance of training and development in Ontario's workplace, OSTD has also developed an award to recognize the leaders in this area. The Ontario Top Training Excellence Recognition awards, or the OTTERs, are now in their eighth year, and are designed to recognize excellence and best practices in the industry in a number of categories. Some of the past OTTER award winners include Amex Canada, Rogers Communications, the Centre for Addiction and Mental Health, the Ontario Science Centre and the Bank of Nova Scotia.

I'd like to now turn to some of the trends we are seeing in the training and development profession, what that means for Ontario's economy and how government, working with OSTD, can help to ensure that our province remains strong and competitive.

Companies today are placing increasing importance on ensuring that their employees develop their skill sets and levels of proficiency to the highest degree possible. They are understanding more and more that learning is an ongoing, lifelong process and that managing the knowledge that employees have when they join an organization, complemented by what they learn afterward, is an important and valuable corporate asset. Increasingly, employers are realizing that training needs to be an integral part of any business strategy and that measuring the return on investment that it brings is a vital piece of that strategy.

E-learning, on-the-job coaching and other methods of teaching outside of the traditional—and expensive—classroom setting are just a few examples of these new

ways of learning. Mentoring of young workers as well as discovering how older workers prefer to learn are important concepts in the training and development field.

All of these innovations and new developments ultimately help raise the quality and calibre of the Ontario workforce, which helps increase productivity, improve competitiveness and strengthen our economy.

One of the biggest issues in the training and development industry today, and one that governments are having to confront as well, is whether we will have an appropriately skilled workforce in the near future as baby boomers retire. In order to deal with this projected shortage of skilled workers that Ontario will face, we must find ways to retrain older workers and keep them in the workforce. As well, it will be critical to recognize prior learning, informal learning and on-the-job training and to tackle literacy issues in the workplace so that a larger percentage of workers can take advantage of lifelong learning opportunities.

OSTD recognizes that the Ontario government has taken strides in some of these areas through investments in bridge training for internationally trained workers, apprenticeship training and recognition of job-training services. However, Ontario must also find ways in which to assess training and learning and to set standards to ensure that Ontario is maximizing its return on investment in training and will continue to be recognized as a leader worldwide for the quality and sustainability of its workforce.

OSTD also supports the Ontario government's efforts to urge the federal government to sign the labour market development agreement. The signing of this agreement would allow Ontarians to access almost \$600 million in apprenticeship and skills training funds and deliver accountable and relevant programs to an additional 200,000 Ontarians.

The LMDAs, which currently exist in every province and territory other than Ontario, have been proven to eliminate duplication and to overlap across provincial and federal jurisdictions while enabling provinces to expand employment and training systems tailored to meet the needs of their own population.

Just as the Ontario government recognizes the economic impact and importance of a skilled workforce, OSTD supports a more highly skilled and adaptable workforce, improvements in workers' low literacy skills and financial incentives for employers to provide skills development.

1410

It is not enough, however, to simply create jobs and provide incentives for employers. We must develop ways to measure the return on investment for government and for private sector employers. In response to the realization that measuring the return on investment for training is an integral part of business strategy, OSTD is launching in April the Canadian ROI Network, under the direction of Dr Jack Phillips, the thought leader in measurement and evaluation. The value of training in the workplace cannot be simply stated; it must be de-

monstrated. The ROI network will address evaluation of training not only in the private sector, but in the public sector as well. Just as any other business investment should be equated with performance and productivity, so too should training and skills development.

With a membership representing over 1,000 Canadian organizations, OSTD can help the government in the following ways: through the collection of data and dissemination of research results, to help find efficiencies and cost savings for employers and to help demonstrate the ROI of training and development; by promoting the value of certification to help ensure that training and development professionals achieve the highest levels of competency and proficiency; by developing tools for professionals to integrate learning technologies in order to maximize their effectiveness; by developing tools to support professionals in basic skills and literacy training, to help ensure that working Ontarians obtain essential knowledge.

OSTD can also provide a neutral forum for round table discussion and dialogue on training and skills development issues and policies that affect Ontario's economy.

In summary, OSTD is committed to working with the government to create the most effective training and development environment for Ontarians. As a long-standing professional association, we can serve as a valuable resource for government as we face the challenges and seize the opportunities that the future holds in the area of training and development.

We urge the government to consider the following:

(1) work in partnership with OSTD to develop tools to integrate and promote learning technologies in the workplace and maximize employee literacy; (2) promote certification and standards of excellence in the training and development field; (3) ensure that measures to promote skills development and training are focused on Ontario's workplaces, not just colleges and universities; (4) look at all possible ways of creating incentives for employers to provide skills development training programs, as investments in these areas promote a higher calibre workforce and, by extension, a more competitive and stronger economy.

In committing to these solutions, OSTD is confident that the government will enhance the quality of Ontario's workforce and ensure that Ontario remains competitive in today's economy.

Thank you for your attention, and we would be delighted to answer any of your questions.

The Chair: We have less than two minutes per caucus, beginning with the NDP.

Mr Christopherson: Thank you for your presentation. I notice that you emphasize the fact that there are trends now developing with regard to training. Some of the things I jotted down are lifelong learning, train the trainer, in-place training and e-learning. I just wondered if there were any other early buds of new mindsets that are taking place. I'm just picking something out of the clear blue, but it's recognized that in 10 or 20 years

everybody on the job will spend X number of hours a week doing some training. At some point, if there's going to be this much new training and retraining going on throughout someone's entire work life, then we've got to be restructuring that work life in a way that this fits in and blends as part of their overall life. I don't think we can continue to have it as an add-on, like it's a big deal: "I'm going away for an afternoon training course," and it's a huge thing. It seems to me it's got to be a component. I wonder if you could expand on that in terms of new trends you see developing.

Mr Canuel: I don't know if it's necessarily a new trend so much as the fact that with an aging population—and we're going to be looking at significant shortages, as we listen to the Conference Board of Canada and many other sources of information. To your point, the learning process is not an episode. Retaining that older worker in the workplace and dealing with all those subsequent issues, I think, is something we're going to have to consider very much in the future. I'm not certain if I'm answering your question.

Mr Christopherson: That's fine. Thank you.

The Chair: We move to the government caucus.

Mr O'Toole: I was very impressed with your presentation. Quite honestly—I'll be brief—I thought the innovative approach, looking at e-learning and on-the-job learning and recognizing prior learning are all innovative ways of dealing with the skilling and continuous skilling of the workforce, and I commend you for that.

I was a little surprised. You said, "The ROI network will address evaluation of training, not only in the private sector but"—oh, this is very controversial—"in the public sector...." I'm just reading a whole bunch of OECTA stuff here on the pushback on recertification training and all that. It's a big lobby. Anyone who even provides kind of effective professional development is being blacklisted. It's unfortunate, really.

Does your organization find it easy to get along with your other teaching peers?

Mr Canuel: Absolutely. There's no issue. We were talking about that before coming today. We see a relationship with other professionals much as you'd look—and I don't want to get into controversy—at the medical profession, each one having their own specialty but bringing a level of expertise to the table. We believe we're quite capable of bringing and are going to bring that expertise. For us, there is no issue in terms of getting along with people.

Mr O'Toole: Perhaps somebody else might—

The Chair: Mr Sampson, you've got less than a minute. Go ahead.

Mr Sampson: He actually stole my question.

Mr O'Toole: Oh, did I? It must have been a good question then.

The Chair: Thirty seconds.

Mr Christopherson: You admit to thinking like him.

Mr Sampson: No. Let me put on the record clearly that I do not admit thinking like him.

The Chair: Twenty seconds, 15. We'll go to the Liberals.

Mr Kwinter: Thank you for your presentation. Can you give me an example of a typical interaction between your organization and a company? Who pays for it, and how does that relationship work?

Ms Lynn Johnston: Sure. My name is Lynn Johnston, executive director of OSTD. The question relates to the companies that are members of OSTD. We have a number of professionals from all kinds of companies, starting with the banks and large companies like that, down to one- and two-person small shops that provide training products and services back to larger companies and sell their services. It's a professional association of members who either provide training products and services or purchase those products and services. They're looking for services from our organization: professional development, networking, the certification program.

The ROI network we're starting is an opportunity for companies to try to figure out how to align training in their business strategies and look at evaluating and measuring the impact of the training they're trying to do within their organizations.

Those are the kinds of services we're offering back to the membership.

Mr Kwinter: Thank you.

The Chair: Thank you for your presentation. We appreciate your coming here today.

ASSOCIATION OF COLLEGES OF APPLIED ARTS AND TECHNOLOGY OF ONTARIO

The Chair: Our next presenter is the Association of Colleges of Applied Arts and Technology of Ontario. We would ask that you clearly give us your name for the purpose of Hansard so we're accurate. Within the 20 minutes, whatever time is left after your presentation is for questions. Welcome.

Ms Beverley Townsend: Thank you for giving us the opportunity to speak to you as you conduct your pre-budget consultations. My name is Beverley Townsend, and I am the chair of the executive committee of the Association of Colleges of Applied Arts and Technology of Ontario. I'm also the immediate past chair of Loyalist College in Belleville, and I have been connected with my local college since 1996.

With me today is my colleague Richard Johnston. Richard is the president of Centennial College here in Toronto.

Mr Christopherson: He's a former member

Ms Townsend: Yes, for some 12 years, I believe.

More than 35 years ago, Ontario took a visionary step and established a network of colleges of applied arts and technology to fill a gap in Ontario's educational system. That was there to meet the needs of local communities, their citizens, the employers and also a growing and increasingly diverse provincial economy.

Today, community colleges are more vital than ever to the viability of Ontario communities, providing accessible, quality career education and training to over one million students every year throughout every riding in this province. Unfortunately, funding has not kept pace with the growth and the maturation of the colleges and their programs.

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The persistent erosion of per-student funding has gone beyond the search for economies. It has begun to compromise the quality of education and training delivered to our students. The funding facts speak for themselves. Compared with university per-student funding at \$6,800 and secondary school per-student funding at \$6,700, Ontario's college funding at \$4,379 per student creates a tremendous challenge for our institutions.

The total operating grant from the province has dropped from \$809 million in 1995 to \$762 million in 2001, at the same time that enrolment has increased by 34%, from 102,000 students to 140,000 students. Again, this past fall, enrolment jumped a further 10,000, to 150,000 students.

In terms of per-student funding, colleges receive approximately 42% less per full-time-equivalent student than they did a decade ago. That's a drop from \$7,552 in 1990-91 to only \$4,379 today. This gap in funding, together with the huge and growing shortage of skilled workers in Ontario, workers that colleges have the mandate to educate and train and on which employers depend to compete and prosper, has created a crisis for Ontario's colleges that is threatening Ontario's economy.

The Ontario government has provided funding for new physical spaces in our colleges, and for that we are appreciative. However, without appropriate operating funding to adequately support those spaces, they will remain exactly that—spaces; spaces without students. Underfunding in tandem with spiking double-cohort enrolments means the colleges face a number of real and growing threats.

Let me just give you a few of those. As a college board member, we deal with trying to set priorities. We are looking at the potential of increased likelihood of running operating deficits, an inability to purchase technology and equipment critical to training programs, an increase in the number of student dropouts and program cutbacks or elimination, and the inability to start new programs that are required by industry and businesses in our communities.

For colleges to be successful in meeting the needs of students, our communities and our economy, we need to reverse the recent downward trend in per-student funding. We are asking the Ontario government to increase per-student funding this year by \$1,372, from \$4,379 to \$5,751. To put that number in context, that \$5,751 is still significantly lower than the per-student funding for universities at \$6,800 and secondary school students at \$6,700. At \$5,751, Ontario will still have among the lowest per-student funding in Canada.

The creation of our college system took vision. Sustaining the system requires recognition that investing in our colleges will pay tremendous dividends: to our students, who will become active citizens and taxpayers in this province; to employers, who want to compete and achieve success in Ontario; to the local communities you represent which rely on colleges to fuel our local economies; and to Ontario's economy as a whole.

With that background, let me turn over to Richard Johnston, who will review how the Ontario community colleges' ongoing decade of underfunding is putting our students and our communities at risk.

Mr Richard Johnston: Thank you, Beverley. I'm going to mostly concentrate on examples of the kinds of things we're facing in administration these days so you get an idea of this. It's not a short-term issue. It's not even a double-cohort issue, although it's certainly exacerbated by the double cohort. You also need to be looking ahead to the huge skills gap that is coming up in so many trades and professions that we need to be preparing ourselves and ramping up for in the next two to three years. The issue is a protracted one in the past and also has a long view out to the future if we're going to create as competitive a workforce as possible.

Just to give you the context, Centennial, which is in the east end of Toronto, has grown pretty dramatically this last fall. Our numbers are up again in the winter, which is unusual. They usually drop during the winter period just because of the way the sessions work through. Our applications for the fall, although the deadline is just about to hit us and we don't know the final tally, is up well over 26% at this stage. We are budgeting on the assumption that we can take an extra 12% this September, on top of the increases we've been having, of this early double cohort coming through.

With our existing knowledge of dollars that are committed at the moment for the province, I'm already facing a requirement to cut about \$7 million from my budget. To try to do that, again, and bring in another 12% of students is going to be very hard for us to do and maintain quality, quite frankly. We've prided ourselves as a system that has been able to do that and we've also prided ourselves in not whining about money in the past. We thought it was our responsibility to manage this responsibly with government, but we're at the stage where I think it's going to be very difficult for us to do so.

Let me just give you a few examples of what we've done over the last decade so you don't think that we've just been sort of standing still. In terms of cuts, if you check the curriculum that's offered today versus the curriculum that was offered in, say, 1985, the cuts are dramatic, at a time when we need a more and more sophisticated curriculum in almost all of our technical areas. The number of contact hours that we can now provide with our faculty has dropped. The number of full-time faculty as a percentage has dropped dramatically over that period of time because we just can't always afford to hire full-time.

The impact is very hard on all students, but in a place like ours where we have 80 different languages spoken in our college and about 100 different cultural groups, it's really dramatic. So many of our students come in with needs in language training as well as in mathematics and we have no funding that allows us to do that remediation. It's a really important factor to know.

The other thing to know is that colleges—as all of you know, because there's a college outlet in virtually every member's constituency—don't just deal with high school leavers. In fact, 60% of our students are people who are coming back out of the workforce or, having gone to university, come to colleges as well. Those people have a lot of other different needs, especially in places like Toronto, but you can also look to the north to some of the specific needs they will find there and some of the challenges that are met. It has been a real challenge for us to try to meet some of those kinds of things.

One thing I think that is lost a lot as we move forward is that people always look at the universities when it comes to an issue of problems here, and most people don't realize that in first-year intake, colleges take in many more students than universities do. I'm talking about full-time students now. Even with the double-cohort increases that you're hearing about, we will still be bringing in 15,000 to 20,000 more full-time students into first year than the universities will this year. I just think you need to know that.

We throw out this figure that gets glossed over, but it really can't: we have one million part-time registrants at colleges—a million. And they're almost all taking career-based training, not just interest courses. All of them are going back and helping us become more competitive in our communities. One of the things we're concerned about with our crunch at the moment is we're being told that there should be a place for every double-cohort student, but I'm very worried about the single mother who's trying to get herself back and re-entered and can't move from Belleville to Toronto to take a course where there might be an opening if there are no openings in Belleville. I think a lot of our adults will start to get hurt, and that's going to hurt the community economic development role that colleges have played so dramatically over time.

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The other factor I want to throw into this is the scale of this. When you look at the figure we're putting forward, that's an extra \$125 million. Well, over the last few months, I've seen announcements made for much more than that for single operations. Not that they're not needy, and I'm not even suggesting that they shouldn't be funded, but with this kind of investment, this whole system in 200-plus communities across the province can be saved and can do the job that we all need it to do for the province.

I want to raise one little issue to show you what the difficulty is. When you drop from \$7,500 a student—in fact, in 1990 we received more money per student than the universities did. Now, as you see, we're \$3,000 or so

below, per student. Then, when you add the additional tuition they get, which is usually almost two and a half times what we charge for tuitions, and are able to charge for tuitions by law, their incomes are much higher, forgetting the research dollars they bring in.

When you lose that money, that's hard enough to deal with, but we've also been asked to account differently. We're now asked to do accrual accounting. I just wanted to give you an example of what happens to us. Because we're so technologically based, we have to improve our equipment all the time. When it's donated, it's not so much of a problem, but when we're having to go out and get it ourselves, accrual accounting means that we have to amortize all that. I looked at my figure today and, as I said, I have a \$7-million problem that I've got to face. I got a \$9-million amortization bill this year because of accrual accounting and the way we have to do things, which is only in the last five years, as we've moved to that across the public sector. Not that I'm complaining about the notion, but when you lose that much off your grant, and you have these extra charges on top of things that you've got to handle for your amortization, it's a special problem.

As you know, even with our capital buildings—which, again, we're very thankful for—we have to amortize those now, which we never did 15 or 20 years ago. Again, not that that's a bad thing; it's just that it's an extra hit on us at this point, which is not insubstantial in a college the size of mine, which has about 12,000 full-time students and about 50,000 part-time students in the evenings.

I want to talk about two other things, if I can, just really briefly. One is that we've done a huge number of things that have made this possible. First, the funding on the students, with the increases during the early 1990s in terms of tuition fees, allowed us to keep pace for a while, and it's good that it's been taken off their backs in the last number of years.

The second thing is that we do special deals. As some members at this table will know, we have all sorts of linkages with industry. Our college, for instance, has bought a hotel as a residence in order to save money, but also to use as a laboratory for our students. Now the Scarborough Chamber of Commerce works out of there and all sorts of really great linkages are taking place at that location. We have bought Collège Boréal, which is now trying to provide French college services in Toronto. We're doing that in conjunction with them in our facilities in order to be able to maximize our use of facilities between the two of us, to save costs.

I think there are any number of pragmatic examples right across the province where people have tried to find solutions that can get us through but, quite frankly, we can't keep it up any more and we can't keep it up with what we know is coming in terms of the skills gap.

I'll give you one little example there. We are the largest auto training facility in North America. We're expecting a need for about 40,000 technicians to be added to our workforce out there by 2008-09. To upgrade

our facilities to be able to handle that increased need, when we're doing applied learning—and you have to teach fewer than 30 at a time for safety reasons and to have the right kind of equipment to work on—it's something we've got to be able to start preparing ourselves for now, because in two to three years' time we've got to start offering those programs so that a year or two after that those people are out there in the workforce. Right now, we're not ramping up; we're trying to survive and to accommodate all these students who are coming, and it is our commitment to try to do so.

The final thing would be an ROI, if I could. A previous member made a comment about that, and we'd welcome anybody to do an external investigation of that. Because we're so badly funded at the moment, and over the last 12 years or so, I can say the ROI looks stupendous if you look at the tax dollars you're getting back just from our graduates alone, let alone all the other spinoffs to the economy that come out of colleges. I really wish members would look at us that way. In a maximum of two years, in most cases, people come in, get retooled, go back out and become increasingly effective taxpayers, let alone increasingly effective members of the economy. And your return on investment is more positive than any other you have. I would just argue that that in itself is a reason for a major investment in the colleges, and we'd be happy to come under that scrutiny with you.

The Vice-Chair: Well said.

Ms Townsend: We'd be happy to answer any questions.

The Vice-Chair: We don't have very much time for questions, but I'll allow a minute per caucus.

Mr O'Toole: I appreciate it. You had a very good article in the *Toronto Sun* on the 26th. Actually, it's almost a repeat of your presentation. It reaffirms some of the numbers, which I don't disagree with. In fact, I have a lot of respect for Gary Polanski at Durham; very innovative ways of solving problems. I commend each of you.

I want to say that if I was thinking value-for-money investment in the colleges, there's the KPI, that whole mechanism of building in some relationships, accountability. It's more or less on the track that I feel is worthy. I think Dianne Cunningham went out on a limb a little bit the other day when she made a commitment of some money that I guess maybe cabinet hadn't talked about; that's my understanding.

Mr Johnston: That's always dangerous.

Mr O'Toole: But I would be one of those who would write and support her on that, because it is job-ready, it is what I would call applied knowledge in terms of value. I just wanted to put that on the record.

Even to the extent of the comments you made, Mr Johnston, it's very important where you said the college had been really unwilling to play the game. That's the double-cohort game. I commend you for your integrity and honesty. Having served here, you know that everything you say is hung on. I've talked to many of them.

They see it as a real opportunity to do the game piece, like the McMaster piece of yesterday, and about a week ago, the 35,000 applicants, the 3,500 spots. It's great media stuff. "Give us more money and we'll solve the problem." Thank you for saying it, because colleges make way and make space and put programs together to suit what's really required. I can't say any more except that I'm an acute watcher of it, and I appreciate hearing from the board and the administration.

Mr Phillips: I just want to congratulate you. Centennial is in the area I represent, and it does a fabulous job. There's a terrific relationship between the private sector and the college.

I have two questions. The funding that you are recommending is \$125 million?

Ms Townsend: Yes.

Mr Phillips: That's question 1, and then part B of the question is on the double cohort. Is there any risk, in accommodating the double cohort from the high schools, that you are looking at fewer openings for entrants that aren't coming directly from high schools? What kind of pressure is on you to do that, and what are the implications of that?

Mr Johnston: It is \$125 million on top of what has been promised to us in the multi-year offer that was made in the last budget, on the first point. On the second point, we hope to be able to accommodate everybody. We hope that we can work out an agreement with the government about adequate funding to make sure we can do that.

Generally speaking, we have the space, Gerry. I don't think that's the problem. Our problem is in fact whether or not we can financially handle it. I know, speaking personally, in some of our programs we are going to have so many applicants early on from high school, starting right now, and the adult learner usually doesn't apply until May and June. There's a real danger that not just in our really tight programs—like paramedic right now, for us, we get 35 people in and we get 500 applications in regular times. This year we're sure it's going to be 800 or 900. That's going to be a problem. But if they're all filled by the high school leaver, it doesn't leave an opportunity for them. So trying to manage that under the pressure of filling the spots most effectively is very difficult for us.

I think we're all really concerned about individual choices individual colleges will have to make between quality and access. At the moment, we would rather not compromise either, but one of those two is going to have to get hurt if things don't change.

Mr Christopherson: Welcome to both of you; Richard, welcome home. I was certainly resonating when you mentioned that each of us has community colleges in our ridings that we're proud of. I'm fortunate enough to have both Mohawk College and McMaster University in my riding, so I've got both. When you were talking it reminded me, too, of Keith McIntyre, a former president at Mohawk—I see you nodding; you know Keith. He was the first one who introduced to me this whole notion that one of the things we had to do was start having more interaction between the universities and the colleges to

benefit the students so they can move back and forth and have credits in common areas and things of that nature, and I think we're getting there. It seems that we're finally starting to get there.

Richard, you mentioned that you're facing a \$7-million pressure right now. If you don't get any relief from that, somewhere you've got to find \$7 million. I think I heard you say that your concern was that the only way to find that would be to start seriously affecting quality. Can you just give us a couple of examples of some of these horrendous choices that are in front of you if you don't get some fiscal relief?

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Mr Johnston: Some of them are subtle and some of them aren't so subtle. I think we will have a significant layoff. The layoff will probably not be in full-time staff but will be in the part-time staff, who play a crucial role in the colleges. There's also a huge impact on our resources: library resources and all the other resources that support students in their classrooms. Because of our catchment, we'll do everything we can to help the new immigrant and keep all those programs operating, but they will come under some significant pressure in this next period of time.

It's a matter of how effectively we can open certain kinds of programs if we don't have the resources to attract the staff. Right now, we're in competition with all the colleges and universities for qualified staff to teach at this stage. If we can only offer part-time work on a sessional basis, the \$30 or \$40 maximum an hour, we will not be able to attract those people. If you can't attract in the right faculty, you can't offer the program without compromising the quality. That would hurt our reputation and therefore affect our relationship with the businesses and organizations we provide employees to, which is crucial for us. It's keeping that relationship, where they have confidence in our graduates, that's key to us. So there are some very tough choices, and the ones we were looking at today were very unpleasant, quite frankly.

The Vice-Chair: Thank you very much for your presentation and for your answers to our questions and for the good work you're doing.

INCOME SECURITY ADVOCACY CENTRE

The Vice-Chair: I'd like to call next the Income Security Advocacy Centre. Welcome to the standing committee on finance and economic affairs. Would you identify yourself for the purposes of our Hansard record.

Mr John Fraser: My name is John Fraser, and I'm a research and policy analyst with the Income Security Advocacy Centre. Thank you for letting me speak today. The Income Security Advocacy Centre is a test case and law reform legal clinic that works on issues related to income security and poverty in Ontario.

Recently, ISAC, the centre, represented the Ontario Social Safety Network, a province-wide coalition of anti-poverty activists, and the legal clinic steering committee

on social assistance at the coroner's inquest into the death of Kimberly Rogers. Kimberly Rogers, as most of you know, died in August 2001, trying to fight her way out of poverty, while under house arrest for welfare fraud.

On December 19, 2002, after listening to eight weeks of evidence, the coroner's jury, a group of five ordinary Ontarians, released their recommendations. These recommendations reflected the jury's unprecedented opportunity to examine the reality of life on welfare in Ontario. Their recommendations were well considered and powerful.

I'd like to talk to you today about two of those specific recommendations.

The first recommendation is ensuring the adequacy of social assistance rates. I'm going to read to you from the actual recommendation from the coroner's jury.

"The Ministry of Community, Family and Children's Services and the Ontario Works program should assess the adequacy of all social assistance rates. Allowances for housing and basic needs should be based on actual costs within a particular community or region. In developing the allowance, data about the nutritional food basket prepared annually by local health units and the average rent data prepared by the Canadian Mortgage and Housing Corp should be considered." The rationale: "To ensure that social assistance rates are adequate and adjusted annually if necessary."

In this recommendation, the jury recognized that people just cannot survive on the meagre income supports provided through social assistance.

As you are probably aware, social assistance rates were cut by almost 22% in 1995. Since that time, the cost of living has risen by 15%. Rents in particular have climbed dramatically. For example, the increase in rent for a bachelor apartment since 1995 has been about 32%; for a one-bedroom apartment in Ontario, it has been 27%; for a two-bedroom apartment, it has been 24%; and for a three-bedroom or larger apartment, the increase in rent since 1995 has been about 27%.

Meanwhile, a single person receiving financial assistance through Ontario Works receives only \$520 per month, with \$325 of that being for shelter and the remaining \$195 intended to cover all other expenses, such as food, clothing and transportation. A single parent with one child under 13 receives just \$957 per month.

So let us look a little more closely at this particular example. A single mother on Ontario Works receives a \$511 monthly shelter allowance to cover her rent and utilities. As figure 2 in what I've passed out illustrates, the average rent for a two-bedroom apartment is \$765 per month in Hamilton, which is one and a half times the Ontario Works shelter allowance; it's \$930 per month in Ottawa, which is almost double the shelter allowance; and in Toronto it's \$1,047 per month, which is more than double the shelter allowance. Even where rents are relatively low, such as in Sudbury, the shelter allowance is just not adequate to cover actual housing costs.

The Ontario Works basic needs allowance for a single mother with one child under 13, which is intended to

cover all those non-housing expenses, is \$446 per month. If you subtract the monthly cost of a "nutritious food basket" for the mother and her child, this family would be left with only between about \$150 and \$190 per month to cover all other expenses. Of course, the reality is that they wouldn't even have this amount, because the family's rent would be eating away a substantial portion of the basic needs allowance.

So if you do the math, it just doesn't add up for people on social assistance. For a single mother with one child living in Ottawa, rent and adequate food would likely cost about \$1,225 per month. Even if we add an additional \$180 per month in income from provincial and federal tax credits, this family will have a deficit of almost \$90 per month, and that's before adding the costs of clothing, transportation, toiletries and recreation.

During her testimony at the Kimberly Rogers inquest, Dr Penny Sutcliffe, Sudbury's medical officer of health, did the math for a person in a similar situation to Kimberly Rogers. Dr Sutcliffe found that just paying the rent and eating nutritiously would leave a single person who is pregnant and on Ontario Works about \$30 in debt at the end of each month.

So what is a person to do? Many people suggest that individuals and families receiving social assistance should make use of community resources such as food banks to help their dollars go a little bit further. Evidence at the inquest put this view to rest. In March 2000, 283,000 people, including about 120,000 children, used food banks in Ontario; 68% of these people were relying on social assistance. Not surprisingly, food banks struggle to keep their shelves full. As a result, most limit use to about once per month, or, on average, about five days' worth of food per month.

This is not going to make up for the shortfall caused by the inadequate social assistance rates. Throughout the inquest, staff from community social service organizations testified that their agencies did not have the resources to adequately meet the needs of their low-income clients. Community agencies cannot make up for the fact that the province refuses to provide social assistance rates that people can actually live on, nor should they have to.

At the Kimberly Rogers inquest, Dr Sutcliffe recommended that social assistance rates be increased to reflect actual costs. In fact, the Sudbury and District Board of Health passed a resolution in June 2002 urging the provincial government to ensure the adequacy of social assistance rates. The Association of Local Public Health Agencies, ALPHA, a non-profit organization that assumes a leadership role for boards of health and public health units across Ontario, wrote to Premier Eves supporting this resolution. Dr Sutcliffe, the Sudbury and District Board of Health and the other boards of health and public health units across Ontario have recognized something really crucial, that poverty is ultimately a health issue.

The coroner's jury at the inquest spent eight weeks investigating what it means to live on welfare in Ontario.

I suspect that no one in this room has had such an opportunity. They recommended that social assistance rates be based on actual costs and be adequate. After hearing the evidence, it would have been impossible to conclude otherwise. The jury even provided the Ministry of Community, Family and Children's Services with measures to help them assess adequate social assistance rates, such as average rents provided annually by the Canada Mortgage and Housing Corp, and the nutritious food baskets produced annually by local health units. Of course, these measures don't take into account other costs, such as clothing, transportation, toiletries and recreation, but they're a start, and they're a good start.

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There is broad consensus that Ontario's social assistance rates punish rather than assist, prevent rather than facilitate escaping poverty. There isn't one defensible policy reason to keep these rates so low. In fact, the only policy reason that explains current social assistance levels is utterly indefensible: the suppression of wages.

Now I'd like to briefly finish and talk to you about one other recommendation made by the coroner's jury at the Rogers inquest, and that is ending the lifetime and temporary bans for social assistance fraud. I'll read to you from their direct recommendation:

"The zero tolerance lifetime ineligibility for social assistance as a result of the commission of welfare fraud ... should be eliminated. The temporary ineligibility in the instance of offences that have occurred before April 1, 2000, should also be eliminated.

"Rationale: Evidence indicates that this would have a devastating and detrimental effect on our society. To prevent anyone from having to go without food and/or shelter, to be deemed homeless and therefore and most importantly, to prevent the death of impoverished individuals."

This recommendation does not appear to really have budgetary implications and indeed we don't look at the recommendation this way. The issue is really about morality and decency, not about economics. However, we felt the need to raise it at these hearings because the provincial government has consistently portrayed the lifetime and temporary bans for welfare fraud as cost-saving measures. They are not cost-saving measures. Everything we know about social assistance fraud in Ontario and even the government's own statistics show that the incidence of fraud is minuscule. Almost 700,000 people in Ontario rely on social assistance. Yet in 2000-01, only 430 people were convicted of social assistance fraud. It was not for lack of trying. In that same year, local social service departments completed almost 53,000 welfare fraud investigations.

The cost of welfare fraud may be relatively small, but the personal and public cost of banning people from receiving social assistance is huge. Besides being cruel, these bans merely shift costs from the province to municipalities and community social service agencies. Not surprisingly, a large number of municipalities, including Ottawa, Windsor, Toronto, Waterloo, Sudbury

and London, have spoken out publicly against the lifetime ban.

Over and over again, witnesses at the Kimberly Rogers inquest stated that lifetime and temporary bans must be removed. People receive social assistance because they have nowhere else to turn. It is an income of last resort. No one in our society should be left destitute. Significantly, the Sudbury police force recommended that the bans be eliminated because leaving people without resources endangers our community. The lifetime and temporary bans from receiving social assistance are inhumane and, in our view, degrade us as a community. Ultimately, this is not a question about dollars and cents; this is about morality and the kind of society in which we want to live.

Kimberly Rogers lost her life trying to battle her way out of poverty and resisting the dehumanizing policies of the Ontario government. Hers is not an isolated instance. The hundreds of thousands of Ontarians who must rely on social assistance due to disability, lack of education or the impossibility of finding long-term, stable and decently paid work are the walking dead. The welfare policies of this government have consigned people like Kimberly Rogers to a life without choices and freedoms which everyone in this room enjoys and expects as of right. Sold to Ontario citizens as providing an incentive to find employment, in fact the welfare rates actually act as a barrier to finding employment.

The provincial government's reports of record declines in the social assistance caseload are very misleading. They fail to consider the fact that significant numbers of people cycle on and off welfare because they cannot access stable employment that keeps them out of poverty. There is also evidence that people are being forced to survive on welfare for increasing periods of time, not less. In Toronto, the average number of months that a single person or a family received social assistance actually increased from 18 months in 1995 to 26 months in 2001. People are staying on welfare longer.

In the words of Jackie Thompson, who provided testimony at the Rogers inquest and is the executive director of Life*Spin, a London-based agency which advocates on behalf of impoverished individuals and which is staffed by people who are or who were living in poverty, "How can you look for work, let alone get hired, if you can't feed your kids or yourself, lose your housing or don't have a phone?"

Raising social assistance rates and eliminating the ban is just, fair and sensible. Raising the rates will allow people to escape the documented cycle of bouncing between low-wage jobs and welfare. We cannot afford to lose the lives or the potential of even one more community member. Raise the rates and eliminate the ban.

Thank you very much for your time and consideration.

The Vice-Chair: Thank you very much for your presentation. We have a bit of time for questions, I believe. I'll start with the Liberals.

Mr Kwinter: I really read that with interest. I don't think anyone can question the problem. I have

constituents coming into my office all the time telling me about their problems. It isn't just the young people; I've got old people who tell me that after they pay their rent—they're on welfare—they have \$18 left. How can they possibly function? I don't know; I don't have an answer for them. I keep trying to refer them to different agencies that might be able to help them, but it is a problem. It's a problem that I think we as a society have got to address.

I don't really have a question for you. I just commend you for your efforts and tell you that I for one am very, very sensitive to the issue. I deal with it, as I think most of us do, virtually every week. We hear from somebody who has that problem, and they're totally desperate. It really is a cycle of creating greater problems than they have because of this problem.

Mr Fraser: One of the ironic things is that one of the markers or the flashpoints of the system for deciding whether somebody is at risk of welfare fraud is whether they're paying a high proportion of their income on rent. The ironic thing is that the rates are so low that most people are paying a huge proportion of their income on rent and therefore are considered by the government to be a high risk for fraud.

The Vice-Chair: Mr Christopherson, do you have a question?

Mr Christopherson: Thank you for your presentation. I can only hope that it's out of embarrassment that the majority of the government members have left and there's only one left. It's interesting to see when they're all here lined up, hanging off every word, and which presentations don't seem to warrant the same kind of attention.

The Vice-Chair: Mr Christopherson, it's out of order to refer to another member's absence.

Mr Christopherson: I didn't mention anybody's name, Chair. I stand by what you said, but I didn't mention any names deliberately; I wouldn't do that. But I am acknowledging they're not here.

When you talk about unfairness, hypocrisy and welfare fraud, I also wanted to bring attention to the fact that we've got an MPP sitting on the government benches—I'm not going to mention names, again, Chair. I warn you ahead of time—who was convicted, to the best of my knowledge, of tax fraud, but that person went on to become an MPP. It's OK for them to be here. But if for some reason, a set of circumstances, you're convicted of welfare fraud once, you're not only on the social scrap heap; you're thrown on the heap that's behind that.

The amount of money that a single mom with a child receives is less money than the increase in the MPP wages for the next Parliament. Now, I say that, to be fair, in the context of someone who supported Justice Evans's review. I can stand behind the results and the recommendations, even though I'm not running again so I won't benefit; but I stood behind that. But I find it absolutely incredible that members of the government can go to sleep at night knowing that this reality exists for them, and yet people, children, who are living in poverty had the income of their families cut eight years ago by 22%. Yet it's still OK to have everybody else

march in here and want more tax cuts so they can live even better, while a woman died because she was basically under house arrest. I don't have a question, except maybe I don't know how you live with that, I say to the government members, knowing that this exists and where you get your priorities from.

The Vice-Chair: I must now turn to the government members.

1500

Mr O'Toole: Thank you for your presentation. I appreciate it, and I appreciate the work you do. I think Monte summarized it more at the level of the constituency, where you try to work with community partners. I would want to say that I am very impressed with the Salvation Army, and also the St Vincent de Paul of my area, who are very helpful in trying to work in partnerships.

I know that your statistics are all focused on the Kimberly Rogers thing, your item number two. I would like to see us deal with it in some other way, of the hardship to people. With a million new jobs we can argue about full-time, part-time, minimum wage and all that, but I think it's more important, in the sense of hope and human dignity, to have a job. It's not just rhetoric. I used to hear people say, "Gee, it's not worth my while getting off welfare. I get dental coverage and all the stuff," so they kind of lost the motive. There is to be a balance there and the right support. So I support that it's an ongoing reform that we need to pay attention to. There is more dignity and a sense of worth in feeling you've been able to, with the right supports, get yourself into some claim that you earn the bread you eat, and I think we should try to help people. But we are down to the ones who may be hard and difficult to place and to get their life in order for a lot of different reasons.

I wouldn't want to see people destitute to the extent that they would be banned for life. I don't support that at all, so I'd like to put that on the record too. At the same time, it doesn't deny us the responsibility of keeping some monitor out there, as objectively as possible saying that we individually have a responsibility, families and family members have responsibilities; it isn't just a societal kind of compartmentalization of individuals. When the family walks away, what's that about?

I'm just trying to rationalize how I've been characterized as being insensitive, uncompassionate and non-caring. It isn't true, totally. I would never want to be characterized that way.

The Vice-Chair: Thank you very much for your presentation. We do appreciate your advice and your suggestions.

CREDIT UNION CENTRAL OF ONTARIO

The Vice-Chair: The next group we have scheduled is the Credit Union Central of Ontario. Would you please come forward and introduce yourselves.

Mr Jonathan Guss: Good afternoon, Mr Chair. I'm Jonathan Guss, chief executive officer of Credit Union

Central of Ontario. Daniel Atlin is our director of public affairs.

We're very pleased to have this opportunity to appear before the committee. This committee and its individual members have been very good to us over the years. But I must say, on a serious note, that today we need help from the committee more than we've ever needed it before.

You have before you a small collection of documents. What I'd ask you to do is just hold on to them, and as I go through my talk I will refer to the individual exhibits we have made available to you.

You are aware that we are the only deposit-taking institutions in Ontario that are chartered and regulated by the government. At the federal level, where they oversee the banks, insurance companies etc, they have made constant changes to make sure the banks are competitive with financial institutions in other countries and are able to keep up with market developments. We absolutely need a broad range of changes here in Ontario for credit unions because the financial markets are constantly changing.

In many communities across Ontario you're also aware that credit unions are a force. While we are strong in Toronto, we're not as visible in Toronto, where there's so much competition. But outside of Toronto, in places like Oshawa, Chatham, London, Sarnia, Hamilton, across the north of Ontario—

Interjection.

Mr Guss: I missed Waterloo; sorry. Waterloo, Kitchener—some great credit unions.

We're really involved in financing people's day-to-day lives, but we're also very involved in small business lending, and that's very important.

Today I want to focus on a specific issue, and that is the proposed merger of our Central's financial operations with the financial operations of BC Central Credit Union. This is very important. It will strengthen our system in Ontario tremendously. We'll be creating a \$5-billion organization with \$300 million of capital to serve all the credit unions in both provinces. And it will help the national system as well. It will streamline us and in Ontario it will help us stimulate growth and opportunity across Ontario.

I want to read to you from the last budget. This was referred to in the last budget, on page 9, the third bullet point. It says, "The government will respond to plans by the credit union system to become more efficient and provide better service to their members on a national basis." It was a specific reference to what this proposal is. I've given you the proposal here, the business case consultation draft, February 9, 2002. It's been out with the government for a full year. Having put that before you, having had it referred to in the last budget, we are ready for action.

I want to give you an example of how this will help Ontario. Our system has developed what I call the syndicated commercial lending program. Since Mr Kwinter was the minister, Central has been greatly strengthened. The system's capital is now at 7%, higher

than the banks and well above the 5% requirement in the legislation, and in the last couple of years we've put out \$600 million through our syndicated program in commercial loans to small businesses across the province. We're especially strong in that outside Toronto where the banks are not so aggressive. After the merger, we will be multiplying the capital available for that program, probably tripling it. So we'd finally be the real competition for the banks that you're looking for.

We can't achieve that stimulus in growth without the merger. To achieve the merger, we need harmonization on some issues with the other provinces. Specifically, we need legislation that will bind our current members to participate in the Central banking facility. They are seeking a self-regulatory regime to bind them to Central and to the new Central that will serve both provinces and eventually serve all the provinces.

Credit unions in other provinces have said bluntly, "We won't make a deal with credit unions in a province where they don't have that binding legislative requirement." I've tabled the second item, which is the resolution from the BC board of directors, but this goes back much further than that. We've been talking nationally about bringing all the centrals together, and every province has said the same thing: "We will not deal with a province, we will not go into a Central in a province if members of that Central can pull out when we are bound by legislation to stay in." So it's very important.

We pressed the government to require all credit unions to be in a Central, and the civil service, giving us good advice, really suggested that the government may never do that. So we backed off, we compromised and said, "OK, simply bind our members." We went to our members, talked it over, and they voted 98% in favour of this on November 23, at a special general meeting. Again, I'll refer back to Mr Kwinter. You remember how fragmented the system was in the late 1980s, and we got a 98% vote of confidence for binding everyone to stay in. Some of the five who voted no came to me after and said, "If we were binding all the credit unions in the province, we would have voted yes, but we think everyone should be in, not just our 203 members. The other 20 should be in as well." So I think we'll have everybody come in and stay in.

Let's go on from there. The officials have raised other problems but have not put them in writing. They have promised to give us a list of their concerns but we have been waiting a very long time for that. We can't wait any longer. One of the issues they raised orally with us was a constitutional issue, and the next document I've given you is an opinion from Tory, Tory, DesLaurier and Binington that makes it very clear that what we're proposing is not a constitutional problem. The province is clearly empowered jurisdictionally to deliver that. The Torys opinion is signed by somebody named Laskin and has been reviewed by somebody named Estey. It's very sound opinion. So I hope you'll read that with care and consider that you are on totally solid constitutional ground giving us what we are requesting.

1510

Obviously, time is of the essence. We've been talking about this with government for two years. We gave them our list of legislative and regulatory requirements last July. We gave them a final list after they requested some changes in September. This is a transaction. This has been in the planning stages. You can see the detail we went into in this document. It is prospectus-level detail to satisfy our very determined members, yet the government has not yet responded.

Time is of the essence. We have to close the transaction. We were planning to close the transaction at the end of June. We've now had to defer it to the end of December because we don't have an answer. We can't finalize the agreements until we know what the legislation and regs will look like.

For the government, there is no cost—no financial cost and now no political cost—to doing this, since we compromised. So we believe it should be in the budget. There is no question about it; we think the government should announce immediately that they will commit to give us what we need to carry this out.

Obviously it's a huge plus for credit unions across the province. They voted in favour. Even our non-members believe the merger would be good and would consider coming into the new organization. They want to make sure it's running well. They understand that once they come in, they would be bound.

Yesterday the government made an announcement about the sale of POSO. We don't object to the sale of POSO, we don't object to the sale of POSO to Desjardins, but we truly find it difficult to understand how the government could welcome into Ontario a competitor of that size and quality without taking care of us first, when they've known for two years precisely what we need. So, again, we expect an immediate response from the government. We expect an immediate statement that they will commit to deliver what we need to do this transaction. It's a huge plus for your ridings; it's a huge plus for Ontarians. I'm sure you can help us deliver on this. Thank you.

The Vice-Chair: We have some time for questions as well.

Mr Christopherson: Thank you for your presentation. I was just at an event in my riding with the teachers' credit union in Hamilton. Of course, they just had their big renovation and some consolidation, right near city hall, downtown—beautiful.

Mr Guss: An excellent \$200-million credit union.

Mr Christopherson: Absolutely, and a real plus to our downtown too, just in terms of the presence of the building and the work they've done there.

You mentioned "two years ago." Was that when you formally notified the government that you were looking for this legislation, and if not, when would that have been?

Mr Guss: Two years ago we sat down with finance officials and walked them through the concept. I can't tell you the date of the first letter to the minister or

ministry, but it would have been shortly after that. The real press from us started one year ago when we delivered this document.

Mr Christopherson: Maybe we'll hear something from the government members; I don't know. I didn't hear you mention anything about reasons why the government may not be acting. Being fair-minded people, if we asked the government, if the minister were here, again, in the interest of fairness, is there something there that they would say is a legitimate problem we should be thinking about, or are the banks intervening? In other words, is there any real reason for this not to go, that if we go through it, if we took the time to ask responsible officials, they would say, "Wait a minute, you're not hearing the other side of the argument"? To the best of my knowledge, there isn't anything like that, but I'm asking you to be fair-minded and put in front of us any legitimate concerns that the government may have, either directly or indirectly, which would explain why it hasn't been done so far and give a reason as to why it may not be in a comprehensive budget bill.

Mr Guss: Thank you for asking. We believe we've removed the impediments that have been raised. The first one, and the only one in the first few months, was our request that all credit unions be required, as they are in the other nine provinces, to be a member, a participant in a liquidity pool, which is what we are; we're a central banking facility.

We're creating a new central banking facility. It will have no trade association services. It will be a pure financial organization, so it really will be a central bank. We were saying that everyone should be forced to be a member of one of those; not ours, but one. They had real problems with that at the official level. That's why we compromised. We thought we removed the only problem. We were under the impression until then that if we compromised on that, it would slip through very quickly. They immediately came up with a constitutional issue. We said, "Show us your draft legislation," because they had promised to draft legislation for us based on our drafting points that they had asked us to submit. They said, "We haven't drafted the legislation yet, but we foresee a constitutional problem." We said, "Fine, we'll deal with that." We went to Torys, and we got an excellent opinion.

Since then, we've had meetings and they say they have a list of other concerns. They said that as recently as two weeks ago, but we have not yet seen the list. Frankly, I find it unconscionable that they have now announced the sale of POSO to Desjardins. Much as I appreciate Desjardins and their great strengths, to bring them in as a competitor when they haven't taken care of this request is totally unfathomable to my members and to me.

Mr Christopherson: I hear you. Thanks very much. Hopefully the government is listening.

The Chair: We move to the government.

Mr O'Toole: Thank you, Jonathan. I would say that I've been listening to Jonathan for quite a while, actually,

and no disrespect to the member from Hamilton Mountain.

Mr Christopherson: Hamilton West.

Mr O'Toole: I have written to the minister, as you know, and met with you. Actually, I was going to ask you a question. To the layperson, which would include me by the way, this whole idea of a liquidity pool or access to a surety was basically done through a line of credit through the bank for most of those smaller credit unions that were not onside. I understood they didn't want to give Credit Union Central a kind of a monopoly. That was what I was told.

This thing all came up as part of the OSC-FSCO merger, the original discussion paper that I was involved in as PA for the Minister of Finance at the time. I felt there were two organizations, the co-ops and the credit unions, which were really focused on—the Ontario Securities Commission is a big, prospectus-driven environment. Personally, I didn't think the co-ops or the credit unions belonged there, and I felt that your proposal was to solve some of the liquidity issues. I have been and continue to be very supportive.

The question I ask is, was it perhaps the sale of POSO—I felt that credit unions should have made a bid on that. I can't be involved now, but I'm surprised that Desjardins bought it. It really would have allowed your industry to grow. It's got a \$90-billion base. I'm sure they could have structured some payments. I see here there's really not a lot of cash up front. Do you think that's one of the reasons they were stalling on this thing—you work in this all the time, Jonathan—until they got POSO? Because it's more like a credit union deal.

The Chair: Let him answer.

Mr O'Toole: It's important.

The Chair: Yes. Let him answer.

Mr Guss: First of all, let me thank you for your help over the years, John. I admit you've been most helpful to us and very supportive. But at this point we need you to help us with your government to move on this.

On the monopoly issue, it's impossible to look at a co-op as a monopoly. You've raised this issue, and we've heard the word "monopoly." But a monopoly is where the owners of the means of production take advantage of the buyers. A co-op is owned by the customers. If the Central is owned by the credit unions and we are monopolistic and make too much money, we return it to the customers, because that's how a co-op works. So the monopoly argument against us is really, truly what I, being from New Brunswick, would call a red herring.

Mr O'Toole: Kent Williams from the Ministry of Finance—

The Chair: That's your time, sir. We move to the Liberal bench.

1520

Mr Kwinter: This is an issue that I have some experience in. I remember back in the mid-1980s when some of the credit unions were basket cases, where there was a mismatch between loans and interest rates and lots

of problems with liquidity. I have to tell you that I think the credit unions are one of the financial success stories in Ontario. Just for the record, I should tell you that I belong to a credit union, and I have for many, many years. I think they serve a real purpose.

I'd also like to comment on Mr O'Toole's thing. I think the credit unions should have bought POSO as well, but that's another story.

I can't understand why they would not allow this to take place. I think that when you sort of get the economies of scale, when you get the financial strength of the combined entity, it can only help. We have Desjardins, the sixth-largest financial institution in Canada—I have a place in Florida, and right across the street from me there's a Desjardins financial institution, because there's a lot of French Canadians down there, they're used to it and they go in there and utilize it.

So I think this idea of borders and things of that kind—we are getting to the point where financial institutions need the kind of clout that size gives them. We see it in the attempt of some of the major banks that are trying to merge. I don't understand it. I'm totally supportive of what you're trying to do, and I wish you well in your endeavours. I hope it happens quickly.

Mr Guss: May I just comment on the POSO? A number of credit unions were interested in POSO, as individual credit unions. We also put together a consortium of 18 credit unions that wanted to buy it. I'm going to table with you a letter that we sent to CIBC Wood Gundy and copied to SuperBuild and the department of finance. The way they asked for the bids on that made it impossible for a consortium of credit unions to bid. We had a group of 18 that were very interested in pursuing the purchase and having a real good look at it, and when they read the way the bid was structured, it was the structure of the invitation to bid that rendered it totally impossible. They sent a letter regretting that they had to withdraw and weren't going to pursue it.

So here's the letter from the chair of the—

The Chair: Thank you, sir. We'll ensure that everyone on the committee gets it.

Mr Guss: Thank you. I appreciate it.

MUNICIPAL FINANCE OFFICERS' ASSOCIATION OF ONTARIO

The Chair: Our next presenter is the Municipal Finance Officers' Association of Ontario. Please state your names for the record, and welcome.

Mr John Bech-Hansen: I'm John Bech-Hansen, the executive director.

Ms Janice Baker: I'm Janice Baker. I'm the chair of MFOA and the commissioner of corporate services with the city of Mississauga.

Good afternoon, Mr Chairman and members of the committee. It's our pleasure to be here this afternoon to speak to you in advance of the province's budget.

Just to give you a bit of background about MFOA, we're an association, the Municipal Finance Officers' Association of Ontario, concerned with the professional interests of municipal finance officers and certainly the financial interests of municipalities across Ontario.

We certainly appreciate the opportunity to highlight some particular concerns to our members. At the top of the list is the property tax and assessment system, and my friend Mr Beaubien won't be surprised to hear that, I'm sure.

As you know, we are now in the sixth year of the new tax and assessment system in Ontario. What was promised when the system was introduced was more fairness, improved accountability, greater simplicity, less taxpayer confusion and lower costs of administration for both the province and municipalities.

Unfortunately, while we started out with those objectives in mind and, I think, a framework that by and large was putting us in the direction of achieving those, the introduction in 1998 of capping programs for commercial, industrial and multi-residential taxpayers has basically undermined almost every one of these original reform objectives as it applies to these property classes.

First, progress toward the attainment of fairness, that is, full CVA taxation, has slowed or stalled in many jurisdictions across Ontario. The current legislation imposes a 5% annual cap on assessment-related tax increases. Municipalities have generally funded these caps by withholding or clawing back assessment-related decreases on those currently paying too much tax.

The legacy of the provisions, which are currently in their fifth year of operation, is continuing large disparities in effective tax rates paid by highly similar properties within the same municipality. Moreover, for a variety of reasons, the percentage of tax decrease that is being clawed back from those entitled to decreases has been rising to as much as 100% in many municipalities. This means that from a perspective of these taxpayers, progress toward fairness has virtually come to a standstill.

Secondly, the mechanics that govern the operation of the capping regime and other aspects of the tax system have become almost unimaginably convoluted. Such is the system's complexity today that it is simply beyond the ordinary business taxpayer's power of comprehension and, I would even submit, beyond the extraordinary business taxpayer's power of comprehension. We know even some of the largest businesses have difficulty understanding it.

Thirdly, the system is extraordinarily labour-intensive and expensive to maintain. The cost of maintenance is borne on the backs of municipalities. We have done an estimate that it has cost municipalities in the province of Ontario millions of dollars to implement this system.

We believe the 2003 budget presents an important opportunity to bring the property tax and assessment system back on track and back into alignment with the original reform goals set out five years ago. We therefore

recommend that the following be announced in the 2003 budget:

As an interim measure, we would ask that the province introduce an optional minimum dollar threshold for capped properties, whereby annual assessment-related tax shifts would be the greater of 5% or \$1,000. One of the consequences of the current capping regime is that the current 5% cap must be calculated on some very small amounts. The introduction of a minimum annual dollar threshold in conjunction with the 5% cap would greatly accelerate the achievement of CVA. In one municipality that we've looked at, the percentage of industrial properties that are taxed at CVA, that is, taxed fairly, will rise from only 13% to 78% after the application of the \$1,000 threshold. When there are municipalities out there that, after six years under this new regime, still only have 13% of properties paying the correct amount of tax, I think that will tell you there is a serious problem with the current system. We believe that the introduction of a minimum dollar amount would go a long way toward rectifying the problem. However, it will not solve the problem.

Secondly, we recommend that the province phase out by 2005 the current policy where newly constructed commercial, industrial and multi-residential properties are subject to capping protection. This policy was put in place notwithstanding that capping was intended to be a transitional measure, because it was felt that newly constructed properties needed to have the same capping protection as any neighbouring properties that are also protected. We believe there is no compelling rationale for this policy. Any business person knows going in what the taxes on a newly constructed property will be and, as such, can build their business plan on that basis. So that individual has the option of proceeding or not proceeding based on that knowledge. As well, any newly constructed properties really get to cherry-pick. They pay the lower of CVA or a capped amount, meaning that they cannot be part of the clawback pool, which gives them an unfair advantage over existing businesses.

Since we are now in the sixth year of the new CVA system in Ontario, surely this is sufficient notice to the property development community of Ontario's long-term commitment to the new tax and assessment system. The current new construction policy should be phased out so that all properties are taxed at CVA.

We strongly recommend the province replace the capping regime with a phase-in program to bring all properties across Ontario to full CVA by 2006. This would be the logical accompaniment to the introduction of the kinds of policies prescribed above. As noted elsewhere in the document, progress toward attainment of property tax fairness has stalled. It is time to get it back on track and to bring it to a conclusion with a firm sunset date.

1530

We also ask that the province commit to a review of the pending three-year rolling average policy. The original tax reform legislation introduced a requirement

to move to a three-year rolling average assessment by the year 2006. MFOA believes this policy is redundant, since capping protection is already in place, and we don't need both. Rolling averages will add administrative complexity to an already intolerably complex system.

We believe, in conjunction with the review of capping, that the 2003 budget should announce a commitment to review the three-year rolling average with a mind to either eliminating it or at least putting it on hold until capping has been dealt with.

In November 2002, the parliamentary assistant to the minister, Mr Marcel Beaubien, issued a comprehensive review of the property tax assessment and classification system in Ontario. Much of what Mr Beaubien proposes is supported by MFOA, in particular his call to review the capping regime. There are a couple of recommendations that cause us great concern. I will highlight only two.

Mr Beaubien's recommendation that the multi-residential and residential property classes be combined is certainly of concern to municipalities. His recommendation arises from the observation that tax rates on apartment buildings typically range between two and five times that paid by condominium and single-family dwellings. Of course, that's seen as unfair in an affordable housing context. To address this perceived inequity, the report recommends that the multi-residential property class be combined with the residential class and that the municipal tax rate on multi-res properties be reduced to the residential rate.

While on the face of it we agree that tax rates on apartments are typically much higher than on homes, this has to be viewed in context. Houses are assessed on selling prices in an open market. In contrast, apartments are assessed by grossing up rental income. This is in turn artificially depressed by the continuing effects of rent guidelines, which limit the annual rental increase on continuously occupied units.

With this kind of apples-and-oranges situation on the assessment side, any attempt to compare tax rates clearly makes for a corresponding apples-and-oranges comparison on the tax side. We know from numerical analysis we've done that assessments on rental units are generally much lower than those on single-family homes.

On the issue of graduated tax rates, which is another of Mr Beaubien's recommendations, this option has been available to municipalities since the introduction of tax reform in 1997, but municipalities have historically not used it, and they've not used it by and large because it does not achieve the result sought, which is to assist small business. MFOA and municipalities strongly oppose the recommendation simply because you cannot define small business strictly on the basis of assessed value, and we've shown through analysis that graduated tax rates unfortunately just simply don't work.

In terms of supporting municipalities in respect of maintaining our property tax system, the province currently operates OPTA, or the online property tax analysis system. OPTA is a Web-based tool funded and

operated by the Ministry of Municipal Affairs and Housing that helps municipalities manage the current highly complex tax system.

In the grand scheme of provincially funded programs, OPTA is not very large, but for hundreds of municipalities across Ontario it has become a lifeline in coping with the staggering complexity of the current system, and it will continue to be one until we can get rid of capping. However, the government's commitment to continuing to fund the operation of OPTA beyond 2003 has been a source of ongoing concern in the municipal sector for some time.

We note that the Minister of Finance's 2002 budget speech announced a government plan "to provide more stability and certainty for our public sector partners by moving toward a multi-year approach to budgeting and funding." As a program of vital importance to the province's municipal partners, OPTA presents an ideal candidate to demonstrate the promised commitment to predictable multi-year funding for this program in the 2003 budget.

I'd like to close with a few comments on the "new deal for municipalities" issue, which really revolves around the question of municipal revenue sources and whether they are currently sufficient to finance the full range of functions for which municipalities are responsible. We share with AMO and others the view that they are not and we support the AMO recommendations that I believe are coming before you.

At the August 2002 AMO conference, the Premier indicated that your government is "prepared to consider other methods of revenue sharing among municipalities, the province and the federal government, provided that they are equitable, make sense and are responsible to taxpayers." We applaud this commitment; however, we have seen little progress to date toward this goal, such as a formal response by the government to a significant amount of policy work that has already been completed on this subject.

We note that the provincial government announced a major public consultation on two other initiatives that were announced in the Premier's AMO speech—that of opportunity bonds and tax incentive zones. MFOA believes the government should use the 2003 Ontario budget to announce a consultation of a similar scale and scope on the new deal issue.

Given the complex interactions that any new revenue source will have with other existing taxes and grant programs, we believe that this review should also encompass the future of the community reinvestment fund and the future role of both the provincial, residential and business education taxes.

Thank you very much for your attention this afternoon. I'd be pleased to answer any questions you may have.

The Chair: Thank you. We have time for one question from each caucus. Mr Beaubien, since you were named in the report.

Mr Beaubien: Thank you for your presentation. It's nice to see you again, Janice. I'm not going to debate that report, but I want to make a comment on the record with regard to capping and the clawback. I realize that assessment is not a pure science. It's a complex subject matter. There's a lot of black and white, but there's a lot of grey also. With regard to the clawback and the capping—I think we've had discussions before—I certainly agree with the presentation that you made here this afternoon. I would even go further, I suppose. I would probably bypass the 5% and the \$1,000. I think there are some municipalities—if I may say, probably 50% or more of the municipalities of Ontario—that could live very well without the clawback and the capping. I think there are ways and means that we could handle that. So just to be on the record that I certainly don't have too many disagreements with some of the issues that you've raised here this afternoon.

Mr O'Toole: If I may comment—

The Chair: I'm sorry, you're out of time.

Mr Phillips: Two questions, if I can, one that you didn't mention in your brief. I spend a little bit of time up in Haliburton, where there's a major issue of new construction not being assessed. There's a feeling that an enormous amount of people just aren't paying their property taxes. They have no property taxes because they haven't been assessed yet; it's running way behind schedule. There's a substantial inequity going on there, people with new homes not paying any property taxes. Second, I was interested in your comments on the multi-residential issue. If Ontario does proceed to one class, what are the financial implications for municipalities of that?

1540

Ms Baker: If I can address your first point with respect to delays in assessment of property, that is an issue affecting municipalities across the province. At the present time, the Municipal Property Assessment Corp is responsible for providing assessments. I think it's really a number of issues, one of which is the complexity of the system. We have experienced and continue to experience significant delays in getting new properties on the roll. However, I would point out that they eventually do come on to the roll, and under the Municipal Act we are able to charge taxes from the date that the property was constructed. So it's really a cash flow issue as opposed to a revenue loss issue.

With respect to the financial implications of the multi-residential change, I think municipalities would be concerned about the tax shifts that would occur. The reality is, unless you're going to have municipalities, particularly those that have a large multi-residential sector—so you're talking primarily about your large urbans—simply slash and burn their budget, then that revenue has to be recovered elsewhere. I know Mr Beaubien did suggest in his recommendations that the province provide some easing of the current caps on tax ratios to allow us to recover that revenue from all classes as opposed to simply the residential class, but the bottom

line is that that tax burden will have to be picked up somewhere else, so there would be tax shifts in order to accommodate that.

Mr Christopherson: Thank you for your presentation. I'm sure that my hometown of Hamilton is, not unlike most other municipalities, going through a tortuous process of trying to come up with a new budget. Personally, I feel deeply for each of those members of council having to make some of the decisions they have to, because the perspective I bring is that they can't win. No matter what they cut, we're either not going to be putting the money into the infrastructure that has to be made or we're cutting back on quality-of-life services that every community needs to have the kind of heart and soul and compassion you need to be called a community.

My question is, if we don't get the new deal shortly, from either this government or a subsequent government, where are municipalities going to be as we head out in the next half-decade or decade? My sense in looking at Hamilton is that they can't survive this. It will not be a community, by any definition we use, if this continues for another five or 10 years. But that's just one community. I wondered overall, province-wide, what's your sense of the ability of municipalities to remain financially viable if there isn't a major restructuring in their relationship with the province?

Ms Baker: I think it's an issue of there being a balance that has to be struck, then, between how you provide services or fewer services. The costs are rising. Labour, in our case, for instance, is 60% of our budget today. Every organization is doing at least 2.5% or 3% increases. You have budget pressures that really just maintain the status quo. There are really only three options: you can raise municipal property taxes—I think it's an imperfect source of revenue for much that we have to fund—you can cut services, or you can compromise your infrastructure by not investing in your capital. Those are really the outcomes.

Mr Christopherson: Or user fees. That's your last—

The Chair: I'll ask you to wrap up.

Ms Baker: That was my answer, Mr Chair.

The Chair: Thank you very much. We appreciate your presentation.

ONTARIO NON-PROFIT HOUSING ASSOCIATION

The Chair: Our final presenter this afternoon is the Ontario Non-Profit Housing Association. Please come forward and state your name for the record. You have 20 minutes; you know that.

Ms Robin Campbell: My name is Robin Campbell. I'm with the Ontario Non-Profit Housing Association. Our association represents about 700 community-based non-profit housing providers across the province, owning and managing about 150,000 units of housing.

I'm here today to talk to you about how we think the province can best address the very significant and grow-

ing problem of affordable housing, particularly for low-income people in the province.

I want to cover four areas briefly: the need, first of all, for intergovernmental co-operation; secondly, our assessment of the direction the province has been to date; thirdly, talking about provincial-federal relations as related to housing; and finally, what we recommend in terms of budgets. But I'm going to just rip through those first five and get to the budget amounts.

I'm going to spend the least amount of time on the need, because I think you are probably very well aware that not only is there a huge gap in the amount of the rental housing supply that is available, but particularly for low-income people; we're actually losing more rental housing than we're building. Over the last decade, of the 24,000 new rental housing units being built, between condo conversions and demolitions we end up with a net loss of about 7,000.

In particular, there's not enough affordable rental housing for really low-income people. Just to put that in context, under currently affordable rental by CMHC, the definition that's being used with current programs is the average market rent. In Toronto, that's about \$1,147 for a two-bedroom apartment, which is hardly affordable by almost any measure. It really requires somebody with \$50,000 a year to pay that kind of rent. Again, I don't want to be too Toronto-centric, but just to take this city, there are 250,000 households with incomes under \$19,000. Across the province, we have over 200,000 households sitting on social housing waiting lists; 100,000 are in the GTA, and those are not people who can afford \$1,147 a month. So our association feels our primary role is in addressing that housing need for the lowest-income group.

The reason I want to talk about intergovernmental coordination is that there's clearly no easy answer to the affordable rental housing problem, and it's not helped by intergovernmental gamesmanship. Just to illustrate this most graphically, in the year 2000 the federal government put on the table for this province \$245 million for affordable rental housing. This, mind you, was after they had already devolved to the province their responsibility for federal social housing. The provincial government has given the responsibility to the municipal sector to take the lead for affordable housing. As of 2003, the provincial government has said that it will sign agreements to allocate this federal government program to 20 municipalities. The province itself, instead of putting in matching money, is only putting in \$20 million, saying the balance of that matching money has to come from the municipalities. Still, from a program announced in the year 2000, in 2003 we don't even have agreements to begin building housing, let alone seeing any housing that people can live in. This is just a wider problem of intergovernmental hot potato juggling. We see it in health; we're seeing it in housing.

The provincial position to date has really been, "Remove the barriers to the private sector to build rental housing. That is the solution to the problem." We're very

supportive of removing the barriers for the private sector to get into the rental housing business, but a lot of those barriers have been removed and there has been no movement. But I think there's every evidence to say that you can remove all those barriers and there's still not going to be affordable rental housing for people at the lower end. That is where there needs to be significant government input in terms of dollars to bring those capital costs down, to provide rent-geared-to-income subsidies for those low-income people. Our posture would be that for that particular target, the best investment of public dollars is in long-term, permanent, affordable housing, which is the business the non-profit sector is in.

What has been proposed under this current federal-provincial program is putting in \$50,000 per unit, with the end result being that you will have market rent housing—that's that \$1,100 per month I'm talking about—affordable for 15 years. Now that seems to be a huge investment of public dollars, for 15 years, to not at the end of the day actually have a stock that's in the public domain forever and that's actually hitting your target group.

1550

I have a few points to make about working with the federal government. First, push them on the changes to the tax barriers for general rental housing. We strongly support that. Second, get on the bandwagon for a low-income tax credit that is the sort of financial system used in the US, which is a method that works well that will bring federal dollars in. Third, have the federal government take responsibility for housing for refugees. Fourth, the federal government has \$500 million a year that it is putting into social housing in Ontario. Those agreements will be terminating over the next 20 years. We should be talking now about reinvesting those dollars. The first dollars are starting to come in five years. They're going to be withdrawing over time \$500 million. Get them to agree now to retain those dollars for low-income, non-profit housing. Finally, the provincial government has to come to the table with matching dollars for the dollars that the federal government has already put on the table.

Now I'm going to move into what I think should be in this budget. There are two points to it: first, in terms of new affordable housing supply, and second, preserving what we have.

On new affordable housing supply, take the \$245 million that's on the table right now. It's money that's there from the federal government. Match it directly with real dollars, not just \$20 million which the province has put on the table, but \$245 million. Put part of your contribution into permanent rent supplements targeted to low-income people. That will produce 10,000 units of housing for low-income people, 5,000 of which could be targeted for very-low-income people at a cost of \$36 million a year by the province. Of this housing, make sure you have half of those 10,000 units targeted with rent supplements for low-income people delivered by the

non-profit sector. It will mean that you'll have that in the permanent affordable domain forever, not just 15 years.

Second, the biggest program the provincial government runs now is the tax benefit for first-time homebuyers. That's a rebate on the land transfer tax. Currently, \$120 million is going into that program and it has over the last four years. That has benefited 90,000 first-time homebuyers at \$1,400 per buyer. Do you know what that means for the owner at the end of the day? It means \$8.60 a month is the difference in what they're paying in mortgage payments. I can't believe that, at the end of the day, those same buyers would not be buying, given that all they're really getting is \$8.60 a month off their mortgage payment. That same \$120 million should be targeted to low-income people.

Finally, I want to talk about a very good program that the province has in place right now through the Ministry of Health. It had put \$45 million in that program, targeted to people with mental health problems, the hardest to house. That's coming to an end. It has been a very successful program. Repeat it. Take \$50 million, put it in the hands of those non-profit providers that are dealing with housing for mental health providers. That will create 3,000 beds; still not meeting the entire need but making a start.

Finally, victims of violence. There has been no money put into transitional housing for victims of violence. The policy position that the government has taken is to say that for every vacancy that comes up in social housing, the first opportunity has to be given to a victim of domestic abuse. What we've seen happening is that the victim of violence is moving into that unit and then the spouse is moving into that unit within a few months because there aren't adequate supports there. What you need is transitional housing as well as permanent, affordable housing for that group. Without transitional housing with the supports there, people will not break that cycle.

Finally, in terms of preserving the housing we have, this budget needs to see money being put into capital reserves for the social housing that the provincial government has liability for in terms of mortgage insurance. Under the condo act, there are very strict regulations in terms of what has to be put aside for future capital reserves. That's not there for social housing; it's not there at the levels it should be. The government has a report that says what those levels should be that has not been made public. Please make that report public and see those monies put in this throne speech.

Finally, for housing that the Ministry of Health and the Ministry of Community, Family and Children's Services have, there are 5,000 units of social housing in those two ministries that have fallen behind in terms of their inflationary increases to their base budgets by 14% since the year 2000. The provincial government has required the municipal governments to keep up with inflationary increases. It has not with its own stock, which it's responsible for. It's very little money. We're talking

about less than \$5 million a year. But that is very important for the government to address.

So just in my closing comments, on the new supply side, there's a very unique opportunity on the table now with the federal government, and the province should step up and play a leadership role.

Secondly, please preserve the stock that we currently have in place.

The Chair: Thank you, Ms Campbell. We have time for one question from each caucus. We begin with the Liberal caucus.

Mr Phillips: This is very comprehensive, and I thank you very much for it.

Maybe a question that's implied in here—what has sort of been the impact of the municipalities now taking over this area? It's throughout your document, but it was an area I think many worried about when the Who Does What process took place. I think Dave Crombie actually in the end recommended against it. But what's been your experience with dealing more now with municipalities, I guess, than you might have in the past, and less with the provincial government?

Ms Campbell: On the administrative side, the municipalities I think are doing a pretty darn good job. It certainly is not costing less in terms of streamlining of administrative costs. I think the municipalities are finding it's pretty costly to administer, but frankly they're doing a good job on the administration side. The issue will be the dollars they have to actually fund it. They don't have the dollars on the capital side in terms of capital reserve funding.

They are very vulnerable to mortgage rate increases. What we know is that at the moment interest rates are pretty flat. As soon as those interest rates creep up, the municipalities—they're already saying they're having trouble affording it, and they are extremely vulnerable should there be any fluctuation.

So I would say they're doing the best they can. They're very vulnerable on the financial side, but it certainly hasn't saved money in terms of streamlining administration.

I would be absolutely sure that if you tallied up the dollars the province was using to administer social housing versus the dollars the municipalities are paying, it would be a net increase in terms of the bottom line.

The Chair: Thank you. We go to Mr Christopherson. 1600

Mr Christopherson: Thank you for your presentation. It was excellent. Kudos for mentioning the money needed for the current stock. I know, again, in Hamilton that's the real big one: the inability to move forward with new construction because there just isn't the capital, but also what are they going to do about all these repairs. The money just wasn't there and it's just one more pressure.

Like everybody else, we've got sewers that need to be redone, we've got roads that need—our infrastructure is crumbling, and here we are handed something else that's about to be in a crumbled condition, and somehow we're

supposed to magically come up with the money. So it's good that you mention that. It's something that's easily forgotten after the transfer has taken place. It's sort of out of sight, out of mind.

Two quick things. One is, it needs to be underscored that the feds put up \$245 million and were asking the provinces to match it. This government came up with a pittance of \$20 million, relative to what was given by the feds and relative to the problem, especially when you keep in mind—I'll check this number later, but I think we're at about \$14 billion a year that the province doesn't collect because of their accumulated tax cuts. So all of these issues—

The Chair: Question.

Mr Christopherson: My question would be this. We had the home builders in this morning who were urging the government to stay with shelter allowances. That's all they wanted to do. I just wanted to give you an opportunity to underscore why that doesn't work for us as a society in the long run.

Ms Campbell: Shelter allowances will not stimulate new construction. So where you have a lack of affordable supply, a shelter allowance is not going to bridge the difference. First, it's not going to create more affordable housing. If you want to give universal shelter allowances and have people pay the difference between a low-income person and \$2,200, \$2,500 a month, which is what a market rent unit is going to be, I guess that's one route to go. It's not fiscally responsible. There's a mismatch in thinking that shelter allowances are going to result in an incentive to build affordable housing. There has just been no jurisdiction where that has held true. It's always worked in complement. If you look in the UK, if you look in the US, where they do have substantial shelter allowances, they also have very, very substantial affordable rental supply programs, frankly, that are executed at the affordable end toward the non-profit sector, whose interest is in building that very, very modest housing and keeping those rents at the lowest possible level.

The Chair: We move to the government side.

Mr Beaubien: Thank you very much for your presentation. I thought it was a good presentation until you mentioned the land transfer tax on new property. I would like to stress here that everybody who buys a new house is not rich. I have a son who tried to scratch 5% together to buy a new house, and I think he's entitled to do that and he's not rich.

I also share a not-for-profit building. We built it 18 years ago; I'm the chair.

Ms Campbell: Oh, great.

Mr Beaubien: We have 29 units. It's called Mid-Valley, in the town of Petrolia. I think one thing that we have not looked at is—the building is 18 years old, in a very good state of repair. We've maintained it. We've got a capital reserve, we've got a maintenance reserve. Our mortgage is going to be paid off in a few years and I think what we should be looking at—and I think there are a lot of complexes in the province that are in the same boat. We should be using the money that we are allocating to pay down the mortgage to build new buildings.

Ms Campbell: Oh, leverage that equity, absolutely.

Mr Beaubien: Basically, it's the same principle that Habitat for Humanity uses.

Ms Campbell: I think you're absolutely right.

Mr Beaubien: And I think we could—

The Chair: Question.

Mr Beaubien: I don't really have a question. I think that by going in that direction, maybe not today but certainly in the very near future, we could put quite a few more units on the market.

Ms Campbell: If you put the question, "What is the potential there?" we will see, over the next 10 years—most mortgages are still, and yours would probably fall into this, 35-year mortgages.

Mr Beaubien: Ours was 25.

Ms Campbell: Yours was 25. Well, let's say about 10 years left. We will be seeing that, absolutely; as soon as those mortgages are paid off, if there's enough in your capital reserves—first you have to make sure that you can reinvest in your own building to make sure it doesn't crumble. But I think there's lots of opportunity to leverage that equity. So it is a source and that would be precisely my point. If you're investing in non-profit housing, you have a renewable resource, because you build up that equity and that equity will forever be used for that purpose.

The Chair: Thank you, Ms Campbell. We appreciate your presentation today—nothing to be embarrassed about. Thanks for coming; we'll take that into consideration.

That concludes our delegations for today. We will adjourn until 9 am tomorrow morning.

The committee adjourned at 1605.

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Thursday 30 January 2003

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Jeudi 30 janvier 2003

**Standing committee on
finance and economic affairs**

**Comité permanent des finances
et des affaires économiques**

Pre-budget consultations

Consultations prébudgétaires



Chair: Joseph Spina
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS****COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES**

Thursday 30 January 2003

Jeudi 30 janvier 2003

*The committee met at 0900 in room 151.***PRE-BUDGET CONSULTATIONS**

The Chair (Mr Joseph Spina): I call to order the meeting of the standing committee on finance and economic affairs for Thursday, January 30.

TORONTO BOARD OF TRADE

The Chair: Our first delegation today is from the Toronto Board of Trade. Welcome. We would ask that you please state your name clearly for the purposes of Hansard. You have 20 minutes. Any time left over from your presentation we will divide equally between the parties.

Mrs Elyse Allan: My name is Elyse Allan. I am president and CEO of the Toronto Board of Trade. With me is Terri Lohnes, our senior economist. We thank you for this opportunity to present our priorities for the 2003 Ontario budget.

The Toronto Board of Trade, as many of you are aware, believes strongly that it is cities that are the drivers of growth in our province and in our country. They pump revenues to senior governments and flow resources to regions across Ontario. They drive a substantial portion of our GDP and are the centres of our population growth. But it is our contention that these centres are at risk.

The Ontario government is the most influential player in determining the future of our cities. It is the most influential player in determining Toronto's future and helping to build the Toronto of tomorrow. The province must embrace its responsibility and deliver a budget that works for Toronto and, in turn, the province. Ontario must move past the platitudes on urban issues and take action where it is most needed to ensure that our cities thrive.

The Toronto Board of Trade has three main recommendations: first, target investment in urban infrastructure and enhance the Toronto region's global competitive advantage. Specifically, we recommend that you implement an integrated regional transportation system, stimulate the building of affordable housing, revitalize Toronto's waterfront for global impact and strike a five-year capital funding deal to help Toronto over the short term.

Second, to make our cities thrive, you need to establish long-term, sustainable and predictable funding for cities; and third, we need a continued focus on fiscal competitiveness.

Let me discuss infrastructure. We believe strongly that strategic investment in our infrastructure directly enhances our competitiveness. That is why our first main priority is for an infrastructure strategy that meets the needs of cities. Strong transportation infrastructure is critical to our competitiveness. Unfortunately, we have failed to see a coordinated plan for dealing with the GTA's growing transportation challenges. Clear priorities for investment and a vehicle to drive this prioritization are needed.

To accomplish this, we recommend creating a GTA transportation authority. Its role would be to oversee and integrate a regional transportation system, coordinate the funding and leverage investment. We believe the region's transportation system would be better funded if governments and business were able to partner through such an authority. This allows them to leverage their investments, authorize cross-jurisdictional projects and better prioritize regional transportation growth. We believe that local and GTA-wide transportation systems should grow in a seamless manner, which is more likely to happen if they are overseen by a single entity.

The province's infrastructure strategy must also include affordable housing. The signing of the affordable housing program agreement with Ottawa last May was a much-welcomed event. This is an important element in addressing a growing urban problem, a step that will also forge greater coordination of programs to build affordable housing. The province must ensure that this program leverages the capital needed and flows the monies in a timely manner.

Ontario's affordable housing strategy must include greater private sector involvement. A more favourable tax and regulatory environment and innovative access to lands for housing development are critical. For example, the Ontario Realty Corp could have greater flexibility to make surplus public lands available for affordable housing development.

Toronto's waterfront must also be a part of the infrastructure strategy. The Toronto Board of Trade is a tireless advocate in support of the revitalization of our city's waterfront. We believe strongly that this initiative represents possibly one of the most vital infrastructure

renewal challenges for the province and for the country. Leadership, funding and continued government commitment are critical to ensuring that this incredible asset is maximized to have global impact. It can be a hallmark of our province's commitment to innovation and to creating a world-class city.

The time to act is now. First, it is crucial that the province, in tandem with the city and the federal government, move quickly to approve the waterfront plan. Second, there must be continued financial support from senior government partners. We remain concerned that additional public funding required for site preparation and infrastructure may not be readily available. Such an outcome would effectively cripple the effort.

We believe that the corporation's financial plan clearly outlines the rationale for public investment in Toronto's waterfront. A three-to-one provincial return is a substantial incentive for investment. To this end, we advocate that the province, with the federal government, commit the remaining funds needed to implement the vision. We support the allocation of additional funding responsibility based on anticipated return.

Lastly, we are concerned that the city may not be able to meet its full funding commitment. In order not to jeopardize the momentum of the initiative, it is clear to us that Ottawa and Queen's Park must consider stepping in to fill this potential funding gap. Within the infrastructure strategy, the board is also recommending that the province partner with the federal government on a specific Toronto funding deal. We believe that if you invest in your greatest asset, your greatest wealth generator, your return on investment will include economic growth, job creation and enhanced prosperity for all Ontarians.

Toronto alone contributes significantly more to the provincial government than it gets back: \$1.6 billion in 2000, as calculated in our report *Strong City, Strong Nation*. Our city can continue to contribute a high return and grow that return if the government makes necessary investments in our infrastructure in the immediate term. We recommend that senior governments flow dedicated funds specifically to the city of Toronto for five years as a transitional investment to stem further infrastructure erosion. We believe the investment must be targeted at capital upgrades and expansion for the TTC, waterfront revitalization and the city's affordable housing stock. We are working with the city to finalize the immediate capital needs for this five-year period. We have also made this recommendation to the federal government.

I've talked about the need for provincial infrastructure strategy. I have also advocated for specific support for Toronto. But what drives both of these recommendations is the inability of our local governments to access needed resources. As you know, cities rely largely on the property tax system to meet financing needs. This tax does not grow with the economy and for Toronto is already too high. Other revenue sources must be considered. In our *Strong City* report, we explored the

idea of public finance reform and determined that the provincial government must be a leader in this discussion.

As a starting point, we believe there are three revenue options that could increase the resources available to cities. First, we urge the committee to recommend full PST exemption for municipalities. Not only would this provide greater tax equity in the treatment of municipalities; it would provide an enhanced source of revenue.

Second, we continue to support municipal access to gas tax revenues, specifically to support transit. The province should allow municipal access to these revenues while ensuring that the overall tax burden for consumers does not increase.

Third, the board also supports the introduction of destination marketing fees as a way to build Toronto's competitive strength. Several of our top competitor cities levy such a fee and direct the revenues to marketing their cities internationally. The PST for hotel/motel rooms in Ontario is currently 5%, three percentage points below the rate for all other PST-eligible goods and services. The board urges the province to permit destination marketing fees at the discretion of the municipalities.

0910

I want to close by reiterating the board's support for a competitive fiscal agenda to provide a solid foundation for urban economies. Protect the gains made on tax competitiveness and do not backtrack again. Ontario must meet the legislated tax reduction commitments and give reassurance that it is committed to providing a stable environment for business.

Certainty must also be maintained with respect to property taxes. The province must preserve the hard cap. Our members have told us repeatedly that their commercial and industrial property taxes are too high. More than half of those surveyed have indicated that they would leave Toronto if these taxes increased further. We need the protection provided by the province on this issue.

The hard cap illustrates the lack of a long-term solution for business property taxes. Simply put, the hard cap is not sustainable policy. The property tax clawbacks and continued inequity across the province further compromises the sustainability of the system. For these reasons we ask the province to establish a business property tax review panel similar in mandate and function to the government's previous business tax review panel. The property tax panel could review the current situation, consider the recommendations contained in the Beaubien report and develop a strategy that transitions the system to be more sustainable and equitable. The board would also look to be an active participant in such an initiative.

We support the government's intentions to deal with the capital tax and personal income surtax. We continue to recommend their elimination. We recognize that eliminating both will be costly and advise the province to

announce a multi-year strategy in the next budget that sets out the gradual elimination of these taxes.

The government must continue to reduce our debt obligations. Reducing our debt reduces our debt interest payments. This translates immediately into enhanced resources that can be applied to meet priorities important to Ontarians.

In summary: invest in infrastructure in the GTA; second, work with the federal government to find a solution to the long-term funding of municipalities; and third, continue to seek a competitive tax and debt environment for Ontario.

The Chair: Thank you. That leaves us about two minutes or so per caucus.

Mr John O'Toole (Durham): Thank you very much for your annual presentation to this committee. There is some consistency year over year.

I just want to make sure that I'm completely hearing you. I couldn't agree more with one of your priorities—that's the transit issue. We tried that with the Greater Toronto Services Board. That was its original mandate, as you know. I don't know why they can't get the transit thing going, not even in Durham. I'm disappointed and I'm saying it on the record here. We took back part of the transit capital issue, GO Transit specifically, and have invested tremendously, I think, in the subway expansion here in Toronto. But the transit issue is significant. I don't know how to solve it.

Everybody agrees with seamless transit within the GTA—everybody. But even in my riding, in Whitby and Oshawa, they still have their local transits and won't give them up; Ajax and Pickering are working on it. But I agree with you fully. The integration of public transit fits into the whole issue of Smart Growth in terms of how you plan and use resources and infrastructure most effectively. It takes transit to drive all of that: appropriate use of arterial roads, connecting roads and provincial infrastructure roads.

I just look at some of the initiatives we've done in the last few years, and I'm not trying to toot our horn, but if you look at the Smart Growth plan, it's the brownfields, it's the redevelopment, it's the waterfront issue, it's all those lands that are somehow lying there because no one wants to assume the liability.

There are others, the tax-free zones most recently, to focus on things like high-tech areas or sector-specific growth, whether it's the financial sector and the—that tax-free thing implicates all the stuff, whether it's PST, the hotels. All that stuff is part of that: the money to be used, and more effectively manage the resources, giving the municipalities a tremendous amount of input into starting up those strategies under tax-free zones or incentive zones.

The Chair: Is there a question here, sir?

Mr O'Toole: Actually, I'm just trying to provoke from her a response. Do you think we're on the right track? Starting with the Greater Toronto Services Board, which has since failed—and maybe you can answer why that happened. And then, do you think we're on the right

track with the redevelopment and the focus on growth and some of the tax issues I mentioned?

Mrs Allan: With respect to the Greater Toronto Services Board, I think at the time it was established there was quite a bit of concern expressed by many parties that it wasn't given the full mandate that people felt was important in order to make it really work. So while conceptually the idea was right, I think in terms of the implementation there were some weaknesses and, as a result, that led to its subsequent demise.

Mr O'Toole: Should we have forced them to do it?

Mrs Allan: I don't think it was a matter of forcing. You didn't necessarily provide them with the tools to do the job that one had hoped they would do conceptually.

Mr O'Toole: They couldn't solve the Mel-Hazel problem of bus interchanges and connections.

Mrs Allen: Certainly our interaction with the Greater Toronto Services Board wasn't around that. I think fundamentally the governance that was established and put in place maybe wasn't the most effective governance. Second, it wasn't given the necessary tools that it needed to really do the job. In greater Toronto the transportation authority that we and a number of groups are looking at and are supporting—we're looking at a very different structure, one that would perhaps be more a provincial crown corporation, one that would have much more authority to both be a pool for funding from the federal government and the provincial government as well as the private sector, as well as having the authority to allocate that. You have the ability to structure that and to set that up. You did not do that in the Greater Toronto Services Board, and that ultimately led to its demise.

Mr Monte Kwinter (York Centre): Unfortunately I've got two minutes. I agree with you completely that the Greater Toronto Services Board did not have the proper tools and the proper authority to make it work.

I used to be the secretary-treasurer of the Toronto Area Industrial Development Board, which was meant to market the whole GTA before it was a GTA. It fell apart for the same reason. Every little community was trying to protect their own interests and was not interested in promoting the area as a whole. I think that's a key problem.

The question I want to ask you is about the waterfront. I used to be the chairman of the Toronto Harbour Commission, so I'm very involved and aware of the issues on the waterfront. But I got the impression that during the Olympic bid everybody was gung ho; big announcement; the Premier, the Prime Minister and the mayor came in. It seems to me, and it's just my perception, that ever since the Olympic bid failed, there's less and less momentum on the waterfront development. Every day I read little bits about, "This guy isn't doing this." Do you really feel that Fung and his mandate have momentum to succeed? What is your feeling about that, and do you have any observations?

Mrs Allan: Certainly I think there's a tremendous momentum to support the waterfront from the private sector. That's certainly echoed by the events that the

board has had on the subject that have been sold out. The last one had well over 300 business people coming to say, "When is this going to happen, and how do we get engaged?"

The problem we continue to see is that when we have three equal partners, nobody seems to be taking the lead to help Fung and the private sector team move it forward. We have concerns at each level of government. Certainly provincially I think you have always been one of the leaders in trying to get this going, and we applaud that. But I think the leadership has perhaps been quieted over the past little while, and that's missed. The city needs to embrace a much greater vision, and I think the province could help with that.

0920

This is a win for the province; it's not a win for Toronto. We have an opportunity here to bring an incredible amount of economic development and growth to the province. I think the onus is on the province to help take the lead, because ultimately, as we know from even the investment analysis, they'll be one of the big beneficiaries of the return. I think they need to help provide some leadership to the city, which tends to look at it as a much more local planning issue and just isn't embracing the big picture behind the waterfront. I think the province could take much more of a leadership role to help with that.

Mr Kwinter: My feeling is that notwithstanding there is huge support in the private sector—they can see tremendous benefits for the region, for the city and for the economy—unless the governments get behind it, it's not going to happen, regardless of what the support is from the private sector.

Mrs Allan: I agree with that. The private sector needs the mechanisms created by government to get engaged. So if you don't flow the money and don't allow the zoning and the corporation to even begin acting, the private sector has no one to deal with yet. There's not even the corporation, officially.

Mr David Christopherson (Hamilton West): Thank you for your presentation. I'm just reading through it and I see the emphasis that you've placed both on affordable housing and other revenue sources for the city, which aren't traditionally the top priorities of the board of trade when they come in. I'm interested in having you expand on why you think those are so crucial, even from a business perspective, in terms of the future of the city of Toronto.

Mrs Allan: The affordable housing I have included in our budget submission for the past two or three years. It is important to us. It was a result of our task force work done about two years ago. We do have a second task force report coming out in the next month that will be giving more specific recommendations.

There are two critical issues around affordable housing and its importance to business. One is that we need to ensure that we have an employee population here that meets all the needs of a major urban environment. That means that with large hospitality and service

markets, we need to ensure a lot of entry-level jobs. We need to ensure that employees can afford to be here so they can service those entry-level jobs and that wide range of jobs. The risk with affordable housing right now is that we're having trouble getting those workers because they can't afford or find housing in the city.

Mr Christopherson: I would assume, then, by extension, that transportation, public transit in particular, and access to the centres of where the jobs are is also crucial. With the housing, you've got to make the link.

Mrs Allan: That's absolutely right. If you live up in north Etobicoke, try to get readily downtown. That goes back to the need for transportation funding. We still don't have the fundamental basics of transportation that link this city in an easy way so that it is easy to get from north Etobicoke to northeast Scarborough. Try to get there in a reasonable amount of time; it's just not doable. So affordable housing is important. The transit link is critical. We have to come to the province asking for the money, because we don't have the revenue sources ourselves, other than property tax, to take care of those issues.

The Chair: Thank you for your presentation today. We appreciate it.

CANADIAN PENSIONERS CONCERNED

The Chair: Our next group of presenters is Canadian Pensioners Concerned. Please come forward. Good morning.

Ms Mae Harman: Good morning.

The Chair: Please state your names clearly for the purposes of Hansard. Welcome. There are 20 minutes combined for your presentation and whatever time is left over for questions. Welcome.

Ms Harman: My name is Mae Harman, and with me is Gerda Kaegi. We are both past presidents of the Ontario division of Canadian Pensioners Concerned. Gerda is presently our national president.

Canadian Pensioners Concerned, founded in 1969, is a national, voluntary, membership-based, non-partisan organization of mature Canadians committed to preserving and enhancing a humanitarian vision of life for all citizens of all ages.

CPC is pleased to have this opportunity to present our views on budget planning. We would like to hope that in planning this budget the government will revisit and redress the many social injustices which have been imposed on so many people in the province and especially on those who are most vulnerable because of poverty, illness, disability, lack of access to education and training, aging, unemployment, abuse and lack of child support. In our written submission we have listed many of the hardships Ontarians are experiencing.

The Ontario government has the responsibility of seeing that the basic needs of all its citizens are met in a timely and courteous fashion and that everyone is encouraged and assisted to develop his or her potential to

the fullest extent. It is indeed time to put our emphasis on serving the people, who are our greatest resource.

We turn now to some special considerations.

Canadian Pensioners Concerned is totally opposed to the privatization of public services: health clinics, hospitals, hydro, highways, jails, water supply and testing of water, and the contracting out of home care. There is no evidence that private management is more efficient, effective and cost-saving than public management. Recent scandals in business corporations have revealed tremendous corruption and raw greed in many high places, with very painful consequences for stockholders, employees and the world economy.

Experience has shown that privatization of public services leads to the development of a two-tier system, where those who can afford to pay are first in line to receive service and those who cannot pay can wait for inferior or no service. Privatization often siphons off staff from public services, causing further delays and poorer services.

Private owners of a service are in business to make a profit. Often they cut corners to save money but deliver low quality of service and employ less-qualified staff, who work under more difficult conditions and with less pay.

We look upon taxation as a source of funding for governance that provides for a well-functioning society. We believe in a fair, progressive system of taxation, where the tax rate rises with rising levels of income. The trickle-down theory does not work. The provincial sales tax is a regressive consumption tax which has a greater impact on lower-income people with no discretionary income. It should be removed. We strongly oppose the rebating or cutting of taxes at the expense of needed services, such as welfare, housing, health services and education.

There should be no dipping into employee retirement funds by either government or employers, unless there is a previous written agreement with employees.

The Honourable Roy Romanow, as chair of the Commission on the Future of Health Care, did a superb job of listening to the people, who made it quite clear that they highly value medicare and want it to be continued and strengthened, with some additions such as home care and pharmacare. We must now move ahead with dispatch to implement his report.

Mr Romanow stressed the need for accountability to be upheld. It is essential that the provinces be accountable to the federal government and the public for all monies granted and that designated funds be spent on the services designated.

We strongly support the reorganization of primary health care, with accessible care 24 hours a day, seven days a week; publicly funded; delivered by interdisciplinary teams of health care professionals; care to be provided by the most appropriate provider, with community participation in governance and decision-making; and a strong emphasis on prevention and health education.

The many communities in Ontario that wish to organize community health centres must be assisted by the province to do so, and funding for all CHCs must be brought up to the same level as that of other health centres.

Home care has been overburdened by changes in the hospital system, which have sent people home sicker and quicker and with the need for more sophisticated care. In addition to acute care, the right must be ensured for the old and the handicapped to continue their lives in the comfort of their familiar homes and community settings.

0930

The new disability act, which requires that a plan for providing accessibility to public buildings be provided, offers only minor relief for the disabled. Accessibility includes not just admission to buildings, both public and private, but accessibility to transportation, health services and rehabilitation, training and education and employment, and also encouragement to the disabled to develop their full potential and play active roles in the community.

Chronic care facilities, rehabilitation services, retirement homes, nursing homes, mental health services and care for children with special disabilities are all in short supply and often short-staffed. Appropriate standards, regulations, inspections and follow-up are needed for such facilities so that residents can enjoy safety, comfort and dignity, and their families are not required to employ extra staffing and assistance in order to be assured that basic needs are met.

Our ecosystem is fundamental to our health and survival. It is essential that we protect and maintain our supply of water; prevent contamination of our air and soil; preserve our forests, wetlands and parkland areas; and stop the devastation of the Oak Ridges moraine and other similar precious resources. In the long run, conservation of our environment will benefit us all economically and health-wise and preserve the beauty and individuality of what has been bequeathed to us by nature.

As parents and grandparents, seniors have a special interest in the opportunity for a full education for all children. This opportunity has been severely limited by current cuts in budgets and the elimination of special programs and assistance for children with special needs. The atmosphere in schools and communities created by these cuts has lowered the quality of education and militated against the enthusiasm of both teachers and learners. This, along with the high competition for university and college entrance, the need to accommodate the double cohort, the high cost of fees and the prospect of years of debt, is discouraging many young people from striving to complete advanced education. Instruction in English as a second language for all age groups is more difficult to obtain, and this impedes many people from progressing in employment and communication.

Emphasis on using schools only for the teaching of curricula in the classroom has meant depriving

community groups from using schools for recreation, education, parent support groups, some preschool programs and community forums. We need to keep the lights on.

Property taxes alone cannot cover the many costs downloaded by the province on to municipalities, especially the larger cities. There is no rational division or sharing of responsibilities for the provision of essential public services to urban centres that corresponds to taxing and revenue sources; for example, public housing, roads, civic infrastructure, maintenance and renewal, daycare, education, welfare, transportation, services to immigrants etc. Current divisions of responsibilities do not reflect contemporary realities and are truly dysfunctional.

Investment in social or human capital is essential if our cities and communities are to survive and drive the economic future of the country. Cities should not have to go begging to the other levels of government for assistance. They should be guaranteed funding to cover the needs of their citizens, not just on a yearly basis, but with an opportunity to plan for the long term. This should be supported as a right and not just at the pleasure of other levels of government. Such support should not be withheld as a threat or punishment. The problems faced by our cities must be tackled quickly.

Everyone is entitled to a home to call his or her own that is affordable, accessible, safe and clean, with a significant degree of privacy. The provincial government must work with both federal and municipal levels to provide more shelters for the homeless, develop affordable housing for individuals and families at all levels of income, provide more adequate housing allowances to welfare recipients, encourage the development of co-operative housing and bring back rent control.

Working together with all other levels of government, Ontario could make a fairer distribution of resources and programs through a fairer tax system and effective and efficient management. We could make our province a leader in providing a truly caring, compassionate society, where all citizens may enjoy a good quality of life. We welcome your comments.

The Chair: Thank you, Ms Harman. We have a little less than two minutes each, and we begin with the Liberal Party.

Mr Kwinter: Thank you very much for your presentation. You've covered a lot of areas, and I don't have time to address them all. But the one area I would like to discuss is health care and your call for a need for accountability to be upheld to the federal government and the public for all monies granted—that it should be accountable.

We've had a statement from the Premier that he wants the money from the federal government but he doesn't plan to use it on health care. He wants to get reimbursed for what he says is money they've already spent. In your presentation, you're saying that there are huge demands in the health care field that are not being met, and these

can only be met by either improving the system or providing more funding to address these. Do you have any comments on that?

Ms Gerda Kaegi: We would say that the system has to be improved and, yes, there needs to be more funding, but clearly accountability has to be there, and I think the taxpayer across the country has become very suspicious of how monies have been spent. We are deeply concerned that certain sectors appear to get, or have better access to, the funding that's there, and other sectors are left out, such as home care or the money that needs to go into reforming primary care or chronic care. There are a whole series of areas that are underfunded. Health promotion, which we referred to in our document, gets a pittance. So we feel monies can, for good use, be reapportioned, and then there has to be accountability—clear accountability—as to where the money has gone. I hope that has answered your question.

Mr Kwinter: Well, it has in part. The point I'm trying to make is that you, representing your group, are saying that you feel it should be accountable, and the federal government, in their negotiations, which are going to take place in the near future, is saying, "We're prepared to provide money but only if it goes to health care and areas that are not currently being funded," not to reimburse provinces for monies they've already spent.

Ms Kaegi: Yes, we recognize that. But what they're saying on home care in particular and pharmacare is they're expanding on programs that already exist. But quite clearly, we accept the argument that money should not just disappear into filling what the province might want, in terms of its past expenditures. There should be new expenditures to expand home care, to expand pharmacare. So we support that.

The Chair: We move to the NDP.

Mr Christopherson: Thank you for your very comprehensive presentation. I get a sense, listening to the overall message and the picture that you're painting, that as our society is evolving, both here in Ontario and across Canada, we're not putting ourselves in a position of, first of all, adequately addressing the immediate needs of seniors and the disabled, and that if we don't start putting these things in place with an aging population, at some point our local communities are going to be dysfunctional.

The sense I got from listening to you and reading the report is that you've taken a look at all the key determinants of quality of life in our communities, touched on each one of them, and at this point a lot of them are coming up short. And again, if we don't do something that puts us into a stronger position, at least a little bit on all of these issues, we're going to be in even bigger trouble than we are right now. Am I exaggerating? Is that a bit over the top, or is that where you're at?

Ms Kaegi: No, that's very much where we're at, and we were delighted to hear the Board of Trade touch on some of these same areas.

Mr Christopherson: I agree.

Ms Kaegi: It's wonderful to find the community in all sectors coming together and saying, "We have to address these issues."

Mr Christopherson: Specifically—do I have time?

The Chair: Quickly.

0940

Mr Christopherson: I attended a public meeting in my home town of Hamilton dealing with transportation needs specifically targeted to the disabled. We've got huge problems. In effect, what we're doing—I'm assuming it's the same in other communities—is creating prisoners in their own homes, because if they don't have their own personal, private means to get out and the public isn't providing anything, in the kind of weather we've been having, you have no choice but to stay home. Is this hitting the mark with you?

Ms Kaegi: Absolutely, and this is common across the province. People with disabilities are really marginalized in so many ways, and transportation is critical because, as Mae has pointed out, transportation is essential to be able to participate in the community, to be employed in the community, to share in community life. It's tragic. With the cutbacks in funding that have had to happen, in municipalities in particular they've just cut the eligibility lists. So fewer and fewer, especially of the older people, are able to qualify for that kind of transportation. But everyone is suffering.

The Chair: We move to the government.

Mr Rob Sampson (Mississauga Centre): Thank you very much for your presentation. You're fairly critical of some of the reforms in health care and education of late. I happen to represent the Mississauga part of the GTA, and I'll tell you that if it weren't for some of those reform initiatives, I wouldn't be going on Friday to help the Premier put a shovel in the ground for a regional cancer care clinic. My residents would be coming to Toronto for their cancer treatment, and I don't think that's appropriate. It took a lot of courage to move those funds from Toronto areas, frankly, to where people are now living. We used to have kids in portables. Up to a third of our kids went to school in portables because most of the money in education went to the Toronto school system. That's totally unacceptable to people whom I represent. Now we're building brand new schools because of a courageous investment in a funding formula.

I want to say that I do agree with you about your comment around—what do you call it?—health promotion. The health care system is really a sick care system.

Ms Kaegi: Yes.

Mr Sampson: We don't spend anywhere near enough money encouraging people how to stay healthy so that they don't get sick, and I think we need to find smart and innovative and courageous ways to do that, because unfortunately you never see the payback. That's why you spend the money, so that you don't get sick people—

The Chair: Question.

Mr Sampson: —and it's politically difficult to do sometimes.

On the issue of accountability, everyone agrees to be accountable for taxpayers' money, but I don't want to sign up to a health care plan that works in Manitoba and doesn't work in Ontario. Ontarians have different health care needs, as I'm sure you would recognize as you go across the province, and I don't think we need to be tied to a plan that works in Manitoba or Saskatchewan or wherever but doesn't work for people who are paying the bill and living in this province. I think that's what the Premier is trying to do when he says, "We'll be accountable, but let us design a health care system that works for Ontarians, not for the people in Manitoba."

The Chair: Any quick response to this? Otherwise—

Mr Sampson: Sorry. I didn't give it to you in the form of a question.

Ms Kaegi: I'm not sure I can find the question, but we have never opposed the development of cancer care centres in northern Ontario and any other part of Ontario. In fact, we support that. So I don't know quite how you could find us criticizing that. Furthermore, on the money going into education, we certainly support the development in the communities. But what has happened in the city of Toronto around property taxes is that tax money that citizens were willing to pay to have a good system that met the needs of the very strong multicultural community is going outside the city. If we in the city of Toronto at the time were willing to pay in order to have the school system we need, we no longer have that and our schools are being closed because of the formula. But you have the reports on that.

Accountability is an issue. We're not saying everybody should have a standard system. I read Romanow; we all read Romanow very, very carefully. What he was recommending and what we hope the federal government is picking up is that on home care there will be different systems. I've lived in Manitoba. I grew up in Quebec. I've lived for many years in Ontario. Yes, the systems are different, but within that context there should be more money going into home care, meeting the needs of the people in those provinces. I think the federal government, in negotiations with the provinces, surely can stop fighting and come to an agreement that, yes, it's obvious we need accountability. I mean, everybody agrees accountability is a good idea.

Mr Sampson: I don't know anybody who doesn't.

The Chair: Thank you, Ms Kaegi and Ms Harman. We appreciate your input, as always, to our committee.

I've given this group a little bit of leeway because our 9:40 presentation from the Toronto and York Region Labour Council has been withdrawn. We do have a gentleman in the audience, Mr Raha, who is the vice-president of finance and administration at Mohawk College. He has asked if he could present. I'm asking the committee. We require unanimous consent to permit Mr Raha to do a 10-minute presentation. Is it agreed? Thank you.

DICK RAHA

The Chair: Mr Raha, please step forward, state your name for the record. Welcome, sir.

Mr Dick Raha: Thank you, Mr Chair. I'm sorry; I was not sure about the format. I mentioned to Dave, but I will make a presentation detailing why we have problems in the college system.

Just to give you a little background on how Ontario colleges are now doing and the vision which started 35 years ago when the community college system was first established: it serves the needs of 200 communities; it has produced over a million graduates; it educates and trains more than one million Ontarians every year in credit, non-credit, distance and contract training activities; and it also obviously plays an irreplaceable role in supplying the job-ready people this province needs to sustain a competitive economy.

The problem is the threats to community colleges. The funding has fallen seriously short. The total operating grant from the province dropped by about 9% from 1991 to 2001. In the same period, enrolment increased 34%, from 102,000 to 140,000. In terms of per student funding, colleges receive approximately 45% less per full-time equivalent student than they did a decade ago, from \$7,552 in 1990-91 to only about \$4,379 today.

Ontario's college funding is not competitive. Between 1995 and 1998, nine out of 10 provinces and 43 of the 50 US states increased financial support to post-secondary education. Ontario was the only province not to increase financial support for post-secondary education.

Just to give you an idea why they need even more people—everybody knows about the double cohort. It's kind of ironic that most people think in terms of the universities. But just to let you know: these spiking enrolments because of the double cohort as well as demographic trends in the next 10 years are affecting us as well. From the statistics and from the research we produced, by 2010 there is a projected enrolment increase due to the double cohort, increased participation rates and demographic changes. By 2006, the peak of the double cohort, enrolment is projected to grow by 33,000, with an additional increase of 5,000 by 2010.

Now, the difficulties are obviously the operating deficits, as we mentioned, as well as the innovation technology deficit. Because we train the students to join the skilled labour force, there is always a need for increased sophistication of equipment. Digitization of previously manual operations has made existing equipment obsolete, increasing delivery costs for colleges. Colleges can't afford to innovate or invest in technology necessary to produce highly skilled, job-ready workers.

0950

Deferred maintenance of facilities: funding shortfalls have forced most colleges to defer maintenance costs; in fact, the government of Ontario estimates that deferred maintenance needs system-wide to 2006 will be in the order of \$600 million. Government investments in

deferred maintenance have fallen short, and the extensive capital investments of SuperBuild are significantly exacerbating the problem, given there are no operating dollars to support the expansion.

The threat to Ontario's economy: there's a skills shortage which, if not met now, means Ontario's economy will falter.

Some facts about the skills gap: the Ontario government has committed to double the number of apprentices over the next three years, from 11,000 to 22,000, to meet Ontario's needs. The Automotive Parts Manufacturers' Association projects that between 1998 and 2007 more than 34,000 new apprentices will be needed and only 20,000 will be available. The Conference Board of Canada's publication, *Performance and Potential 2002-03—Canada 2010: Challenges and Choices at Home and Abroad*, released in October 2002, states, "Unless we can correct the skills shortage we have now and access untapped and underutilized human capital, we will limit our economic potential and incur unnecessary social costs."

So first to Ontario's college students: the regular programs will be limited because of the lack of necessary funding. New programs designed to keep pace with developments in our economies will not be created. Underfunding has decreased student services, and leading-edge technology and equipment, fundamental to the learning process, won't be available.

So what are we urging? Investing in college success: we know there is a new charter now—that's the first step—but it is now time to invest. We have some estimates. We feel that each of those areas—for example, we need, for the operating grants right now, to keep the 2003-04 funding commitment, which represents an investment of \$545 per student.

Quality for student success: we feel that each college would be able to increase strategies to improve student retention through remedial programs, financial counselling—to that extent, to allow dollars for that.

Educational technology is the big one. Colleges require basic and sophisticated equipment to meet the needs of the digitized workplace that supports innovation and productivity for the knowledge economy. Colleges require additional funding to support these growing information infrastructures. For example, upgrade technology-enabled classrooms—we need dollars to do that—upgrade teaching labs, upgrade teaching software and the infrastructure.

Instructional equipment: most college programs require equipment to provide a quality learning experience. Last year, the government did start with the \$10 million for equipment per year for the system. We feel that should be increased by another \$10 million per year.

Program development and renewal costs needed are estimated at about \$12 million per year. Each college would be able to develop or revise four to five programs every year.

Last but not least, faculty hiring, orientation and renewal: colleges could hire up to 200 people.

The Chair: One minute, sir.

Mr Raha: OK. As well as the skills shortage, as we talked about, an investment in the above category will definitely support colleges in addressing the emerging skills gap. The apprenticeship area: we need money—the workforce development strategy and KPI. So basically what we are talking about to sustain the college system is to produce the graduates for the skilled labour force required to grow in Ontario's economy. That's basically what we need from the government.

Thank you for giving me the chance.

The Chair: Just for your information, the association of community colleges did a major presentation yesterday, and the generic information you provided had been provided by them. But you gave us a specific perspective from Mohawk College, so we thank you for that, sir.

Mr Christopherson: It's never truly complete until we've heard from Hamilton, anyway. So you've completed the process. Thank you.

The Chair: Campaign 2003 has begun. Thank you, Mr Raha. We appreciate your time.

ONTARIO CHAMBER OF COMMERCE

The Chair: Our next presenter is the Ontario Chamber of Commerce. I believe they're here.

Please be kind enough to state your names when you speak, for the purposes of Hansard. You're familiar with the 20-minute time frame, I think. Any time left over from your presentation will be used for questions and answers.

Ms Mary Webb: My name is Mary Webb. I am a senior economist-manager with Scotiabank in their economics group, but I am also chair of the finance and taxation group for the Ontario Chamber of Commerce.

Mr Atul Sharma: My name is Atul Sharma. I'm the vice-president of policy development for the Ontario Chamber of Commerce.

Ms Webb: We're very pleased to be invited to make a submission to the standing committee on finance and economic affairs. As many of the members of this committee are well aware, our chamber is a federation of 156 chambers across the province. We represent over 57,000 businesses. I'm going to quickly go over the overview and our budget priorities, and Atul is going to follow up with our tax recommendations.

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In terms of outlook, after 3% to 3.5% growth last year, forecasters have been marking down forecasts recently, reflecting the current geopolitical climate and the softening in the global recovery.

We're still looking for real growth that's approaching 3%. Very interestingly, when we did our members' survey—we always do a pre-budget survey—the results were very optimistic. This may reflect that we have a number of small and mid-sized businesses that are less

sensitive to the softening in the US and European economies than our larger Ontario businesses would be. But essentially, nearly 50% felt that the economy in 2003 would perform at the level of last year, and almost 33% felt that the economy would be somewhat stronger or very much stronger.

When you look at 2004, almost two thirds of the respondents expected the economy to be somewhat stronger. The respondents were even more optimistic about their companies' performance in 2003 and 2004 relative to 2002. Essentially, what they were saying was that 56% felt their company would perform somewhat stronger or much stronger this year. In 2004, we had seven out of 10 respondents expecting an improved company performance, with one out of five expecting substantially better results.

In terms of capital investments, we were encouraged to see that approximately 57% were looking to improve their investment in technology relative their technology investment in 2002. This is particularly encouraging; we think that it keeps Ontario industry on the leading edge and perhaps reflects an effort to improve unit costs in a very competitive environment.

With respect to other capital investments, the results were significantly more split, with 46% indicating no anticipated change from last year's investment and 44% indicating a modest or substantial increase.

In terms of changes in the workforce, the respondents, however, were significantly more cautious: 53% expect no change in the workforce, and only 38% indicated that they might increase hiring.

Looking forward, the OCC's priorities for the budget are, first, to balance the books and then debt reduction; to reinstate the delayed tax cuts, as Finance Minister Ecker committed to in your hearings on Monday; initiatives to enhance a predictable, encouraging environment for business; and smart spending on priority programs.

Time and time again, our membership comes back to us with the response that debt reduction is extremely important to them. It was canvassed at both our governing council and our annual general meeting last year. In the survey this year, as you can see, close to 50% again are saying that debt reduction is somewhat or most important as a budget priority. When we did our house survey, the same result came back: 44% of the respondents indicated that government debt had a negative impact on their competitiveness.

The chamber has long stated a goal that we'd like Ontario to reduce its debt-to-GDP ratio to 15% by 2010. Another concern we have is the ongoing borrowing that's being undertaken by related agencies, including universities, colleges and school boards.

Mr Sharma: I just wanted to outline a couple of the tax recommendations and recommendations in the area of spending that our members have asked us to bring forward.

The OCC has long encouraged the province to promote economic growth by working toward low and equitable taxation alongside efficient and effective

regulation. Within this framework, the OCC is making some specific recommendations with regard to taxation. Number one, as you've heard, is that we'd like to see the government immediately reinstate the tax cuts delayed in the last provincial budget. We welcome the comments to that effect.

The minister has also talked about a multi-year program for future tax reductions, and we believe that profit-insensitive levies have to be a key focus of that program. Of course, the examples of profit-insensitive levies are the corporate capital tax and the corporate minimum tax. To reassure investors, the government must provide a multi-year plan for the reduction of the capital tax, to a point where it's eventually eliminated. The government has consultation which it engaged in on tax incentive zones. We spoke to our members at great length on this issue. We believe that tax incentive zones should be established for northern Ontario, and we believe that there are specific brownfield sites in southern Ontario which should also qualify as tax incentive zones. We believe that industry-specific challenges should only be reviewed on a case-by-case basis, and that a grow bonds program should be established for northern Ontario to promote economic growth.

The OCC recognizes the government's current fiscal constraints and the need to set priorities. There are, however, a number of tax reforms that should be kept on the back burner and brought forward as the province's fiscal situation improves. These include ending the small business CIT clawback, moving toward lower common non-residential education property taxes, and harmonizing the GST and PST. A number of these recommendations were brought forward in a policy paper which we released in April 2001, and those recommendations continue to be very valid today.

We have worked closely with the Red Tape Commission and surveyed our members on the issue of red tape and spoken to them about it. They have brought forward a couple of suggestions which we would like to bring forward here: reviewing the retail sales tax to streamline administration, increasing the accountability and transparency of property assessment practices, and streamlining business information overall. We believe the government should adopt one identification number, similar to what has been adopted at the federal level.

On the issue of WSIB, we believe that WSIB coverage should extend only to individuals who are not covered by similar or superior employer plans.

On the issue of the Kyoto Protocol, because we believe that's something that will have a great impact—although it's a federal initiative, we believe it will have great impact here in Ontario—prior to Ontario's ratification of the protocol, we urged the federal government to develop a made-in-North-America climate change policy, and we urged the provincial government to take an active role in negotiating with Ottawa and the other provinces a viable implementation plan for the protocol. At stake is the importance of reducing the

uncertainty facing investors and the competitiveness of Ontario's industry versus the United States and Mexico.

We also looked at a number of spending areas and looked at efficient and effective spending on targeted social priorities. We asked our members what they would rank as the priorities within a balanced budget scenario. These were the priorities that they felt should be addressed: health, 62%; elementary and secondary education, 29.4%; post-secondary education, 28.7%; and transportation infrastructure, 24.4%. These are the percentages of people who said that this was the most important priority for the government to pursue within a balanced budget.

On the health care side, 64% of our respondents indicated that they believe the health care system is a competitive advantage for Ontario business. We believe the government should find a way to leverage this competitive advantage. From the same survey, 47.8% indicated that they believe there should be a greater role for for-profit private sector care providers. We believe the government has taken some good steps in that direction but that there should be a greater discussion on that.

On the issue of the double cohort, the OCC believes the provincial government needs to ensure that proper resources are allocated on an urgent basis to address this problem. Of concern is the reality that the double cohort will pressure our post-secondary education system for several years.

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Ontario, again, remains the only province that has not signed a training agreement with the federal government, and we're quite concerned about this fact. The lack of an agreement lessens the resources the province has committed to training in Ontario.

The other issues are transportation and urban infrastructure. These are issues which we believe have great impact on Ontario's competitiveness, and we have consequently established two task forces. The first will direct the issue of Ontario-US border crossings, and the second will concentrate on GTA and Golden Horseshoe issues, starting with transportation—specifically major highways and public transit.

There are a number of concerns regarding Ontario border crossings that are in need of immediate enhancement to ensure the free flow of goods and travellers across the border. Immediate action is required to begin addressing the difficulty at the world's busiest border crossing: Windsor-Detroit. We understand the government has a number of proposals before it that are currently being reviewed, and we recommend that the government proceed as quickly as possible with a project to ensure that capacity is added in a timely manner.

With regard to major highways and public transit in the GTA and the Golden Horseshoe, much needs to be done immediately by way of improvement, planning and integration. The Ontario chamber is still of the view that a transportation authority which includes all levels of government and the private sector working together on

these issues is the best way to properly address, define and deal with these issues. This was first suggested in early 2001 by the Ontario Chamber of Commerce and is especially important now, especially in the GTA and Golden Horseshoe areas.

In conclusion, for many years our overarching recommendation to the Ontario government has been one of establishing a fiscal and economic goal as the most competitive jurisdiction in North America. In the current environment of significant uncertainty and fiscal restraint, it is critical that the province remain focused on Ontario's competitiveness.

Thank you. We are prepared to take some questions.

The Chair: That leaves us with just a little over two minutes per caucus. We begin with Mr Christopherson, of the NDP.

Mr Christopherson: Thank you again for your presentation and for the warm reception at your annual general meeting when I spoke there last year in Burlington.

I notice that again there's an emphasis on municipal infrastructure in terms of making cities work, and in this case making sure they work for business. Recognizing that in terms of business property tax is the least progressive, because it has no relationship to profitability, and recognizing again that you've got an emphasis on tax cuts, also saying that there has to be some participation by senior levels of government in terms of municipalities, some sort of new revenue funding—because there's nobody coming in so far from the right, the left or anywhere in between who is arguing that cities are just whining and if they would just do the job they're elected to do, things would be just fine. There's a universal recognition that municipalities, left on their own, right now, the way they are, is a recipe for disaster.

I'm just wondering, first of all, how you would make the case to the provincial and federal levels of government that they have to step in, that they've got an obligation to provide some assistance; that this is no longer about blaming municipalities, which the government has done a lot of, I'm afraid, over the years—forget all that; that this is about making sure our cities work in the future for our citizens and for the business component within those societies. Would you just expand on that in terms of why, from a chamber point of view, it makes sense economically for senior levels of government—federal and in this case provincial—to provide greater assistance to municipalities? While you're still saying that tax cuts are important, at the same time you're also arguing that this new money has to be found for municipalities. Can you just expand on that for me?

Mr Sharma: You're going on the presumption that giving greater assistance will fix the problem. We're actually working with the Ministry of Municipal Affairs. As you know, in the new Municipal Act, there is a provision for municipal governments to look at innovative ways of bringing revenue in without

increasing property taxes. We've certainly been involved in that discussion, and one of the ways they're looking at is establishing corporations of which municipalities would be the sole shareholders, which would then go out and provide certain services. So I think there are a number of different and creative ways to look at where municipalities, where they need more revenue, can bring in more revenue. It's not necessarily just the governments coming up with more assistance for them.

Mr Christopherson: I wasn't arguing that it's the only source, but I was making the point that so far—unless you're backing away or you have a different view—everybody is saying that there has to be greater participation. You can do all these things you're talking about, but at the end of the day we have water mains breaking in Hamilton and water shooting up and flooding entire neighbourhoods, and that's happening across the province, and we can't deal with it internally any more than Toronto can or any other community. So you can tinker within all you want, is my sense, but at some point there has to be that money. Now, if that's not what you're saying, maybe I need to hear it a little clearer.

The Chair: Thank you, sir.

Mr Christopherson: Can we get a quick response?

The Chair: A quick answer, please.

Ms Webb: Two quick answers. The transportation authority that the OCC has been recommending the establishment of since early 2001—we saw three levels of government at the table and three levels of government contributing. We fully agree. I think this is a governance issue. It's not only in Ontario; I think it's in the four major urban areas of Canada—greater Montreal, Vancouver mainland—where this is happening. So it's a governance issue as well, and yes, we do need money, so there are things like the strategic infrastructure fund. It seems to be slow in materializing.

The Chair: We move to the government side.

Mr Ted Arnott (Waterloo-Wellington): Thank you for your presentation. It was excellent. We appreciate your advice every year.

I wanted to ask you about the issue of debt retirement. Again, this is something that I've had an interest in for some time. In 1997 I had a private member's resolution that I brought forward in the Legislature which received unanimous support, I'm pleased to say, from the opposition parties as well, calling upon the government to commit itself to a long-term debt repayment plan. I suggested that over 25 years we should set a goal to try to pay it off, like you would pay off a mortgage.

I was pleased when, in 1999, as part of our Blueprint—our election document or platform—we committed to a significant debt repayment, which we've exceeded, in fact. I think we committed to \$2 billion in terms of debt repayment, and right now we've paid down, I believe, \$4.5 billion. If we don't balance the budget, of course, we're going backwards again in a way we don't want to.

You have articulated a goal, suggesting that we should set as a goal for ourselves to reduce the debt-to-GDP

ratio to 15% by 2010, and I commend you for that. Do you know where we are now in terms of our debt-to-GDP ratio? How far would we have to go to get to that 15% level?

Ms Webb: Just less than 10 percentage points.

Mr Arnott: It requires sustained fiscal discipline in order to achieve that over the long term, and a belief that we have to leave to our children and our grandchildren a stronger financial base as a province.

Ms Webb: Yes, and it's much easier to accomplish if we have stronger growth. So it all becomes a virtuous circle. With stronger growth, it becomes easier to reduce the debt burden relative to our economy's size.

The Chair: We move to the official opposition.

Mr Kwinter: As always, I welcome the presentation of the chamber.

I don't know whether you've tracked this or not, but one of the things I've always sort of wondered about the chamber and the CFIB—they canvass their members and ask their opinions. Do you ever chart to see how accurate their opinion is, looking back at what they think is going to happen and what really happens? I mean, how valid is this opinion?

Ms Webb: Last year we would have been well heeded to have taken the survey results. Because domestic demand was so strong in Ontario, the response of small and mid-sized business being optimistic last year—they were more optimistic than the forecast would lead you to believe, and they were right. A year ago we were hoping that Ontario's growth would be 2%. It has turned out to be in the 3.5% range. So the survey was more accurate.

This year I have a few concerns just because we've seen so much domestic demand. We've seen such a huge surge in housing and vehicle sales that it's hard to see that same kind of growth continuing. That doesn't mean that housing and retail sales don't remain at a very high level, and continued moderate growth in retail sales, but it's just hard to see explosive growth each year. The survey was more accurate last year than our forecast.

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Mr Kwinter: You were here the other day wearing another hat, for the Bank of Nova Scotia, and here you are for the chamber. Your views as spokesperson for the bank were a little different from the views of the chamber. When you look at their expectations, the chamber says that 2003 should be a better year than 2002.

Ms Webb: That's right.

Mr Kwinter: And when you're wearing your hat at the bank, you're saying 2003 is not going to be as good as 2002.

The only reason I'm asking is that when you get the chamber—and as I say, I'm totally supportive of the chambers. I think they do a great job, but they represent a specific segment of the economy. It's almost like their wish list of what they think they would like to see. I just want to get this correlation, because someone looking at this in isolation will think, "Well, the chamber of commerce knows what they're talking about, so I'm

going to make my projections saying things are going to be at this level." Then you take a look at the Bank of Nova Scotia, and you say, "Well, the bank must know what they're talking about." They're going in different directions. How do you rationalize that?

Ms Webb: When I prepare the bank's forecast, I do it by each segment of the economy. When I'm looking at the different segments, particularly our export sector, I have to stumble on the fact that US growth is not strong—and we had a very disappointing fourth quarter report this morning. Therefore I have to downgrade specific aspects such as exports; hence the tone of the banks, which was, "Yes, we think growth could be slower in Ontario this year, and we're concerned about all the uncertainty out there." So we were trying to leave a definite message to leave some prudence for the uncertainty this year.

Many of the respondents to the OCC survey are looking at it just from the business they get in. If they're a small business, retailing or whatever, what they see happening in their community is what they're reporting back to us. So they're reporting very optimistic feelings in their community. That's positive.

I think what you want to do as a committee is just balance the two. You have one economic modelling input that is raising a few risks for this economy going forward, but you're getting a survey that is showing a domestic economy that is still very upbeat.

The Chair: Thank you, Ms Webb and Mr Sharma. We appreciate your input.

CANADIAN MENTAL HEALTH ASSOCIATION, ONTARIO DIVISION

The Chair: Our next presenter is the Canadian Mental Health Association, Ontario division. Please come forward.

Dr Everett, I'll ask you to please state your name carefully for Hansard. Welcome, ma'am.

Dr Barbara Everett: My name is Dr Barbara Everett. I'm with the Canadian Mental Health Association, Ontario division. We represent 33 CMHA branches across the province. We serve thousands of people with mental illness and their family members per year.

I wanted to bring to the attention of the group this morning the fact that the mental health system has been under reform for at least 14 years, starting with the Graham report in 1988, followed by Putting People First in 1993, Making it Happen in 1999 and now a full battery of recommendations from nine implementation task forces from across the province.

The Minister of Health is on record as stating that for the last 30 years all governments are guilty of not addressing the needs of the mentally ill and their families in Ontario. The Provincial Auditor, who is famous for shaking his finger at people who spend too much, identified the fact that community mental health agencies have been underfunded for at least 15 years. We haven't had an increase to our base budgets since 1992.

The task forces say, "Invest in services now." A coalition of Ontario associations, including the Ontario Medical Association, the Ontario Hospital Association, the Ontario Psychiatric Association, the Ontario Federation of Community Mental Health and Addiction Programs, the Mood Disorders Association of Ontario, and the one that doesn't have an "O" attached to it, the association of general hospitals of psychiatric services, say, "Invest in mental health services now."

We obviously are patient people, but it's starting to tell on our mental health, because there is a serious urgency in this province for investment in mental health services. There is a criminalization of the mentally ill occurring, where nuisance offences are on the rise. In London, Ontario, the police are reporting a doubling in their budget related to addressing people with mental illness. People are going into jail rather than getting help there. They've discovered in a two-year period that fully 81% of people arrested are re-arrested because they can't access appropriate services. There is a victimization occurring because people with mental illness are disorganized and psychotic, living in unsafe conditions. Each time you open your paper, you're seeing what is going on. Also, the rate of suicide is appalling. We have 175 people on the waiting list for services in Ottawa, and one half have attempted suicide while they are waiting for services. There is a level of urgency that is serious.

The other thing that happens when you bring large groups of stakeholders together is that they tend to disagree and argue about things. Over the 15 years we've been planning for reform, the level of agreement is remarkable. There have been some targeted investments through the present government's activities, and we're really grateful for those and it has helped us research what occurred there. We're finding evidence that further underscores the need for investment in services now. When people receive appropriate help in the community, there's a 60% reduction in visits to emergency rooms. For any of you who are in health care, and when you hear from health care, people in emergency rooms will tell you they're filled up with mental health clients.

There is an 86% reduction in hospitalization, and I'd like to draw your attention to the figures. If you keep somebody well supported in the community, it costs \$96 a day. If you have them in a psychiatric hospital, it costs \$468 a day. What we do works, and our job is very straightforward and very clear. We get people out of hospital and we keep them out of hospital. I would argue that it's a no-brainer. We need to invest in mental health services now.

You'll see before you our "three priorities" paper offered from the Canadian Mental Health Association. Housing is always first among equals, but we also want to outline investment in self-help services, which are particularly useful when it comes to mental health. We need an immediate increase to our base budgets. Many of our agencies are holding things together with string and chewing gum, and we can't keep the lights on and we can't pay the rent. We've got our executive directors

working night shifts because they can't hire staff. We need to do something.

We want you to invest in the technological infrastructure that would assist us to do our job. You're going to hear this an awful lot. There's a proposed registry of mental health services, a 1-800 number, Internet access 24/7. It's been fully researched, all the consultations are done, and we hang fire for the tune of about \$1.5 million a year. That's all it would take. We need to do the full data collection system. We recognize in health that that's a problematic and difficult thing, but it needs to be done and somebody has to have the will to set that in motion.

We'd like you also to reward innovation, to put an innovation fund in place that supports creativity and new ideas. A lot goes on in mental health that, if it's not sitting next to a health sciences centre, doesn't get researched. It's a very creative field, and we need to capture those kinds of activities and reward them. Innovation drives change in the direction that you'd like it to go and we'd like it to go.

Finally, we'd like to evaluate whether or not these changes have been useful. We're not in the business of serving people just to maintain them. We're in the business of helping people recover and do well, and we'd like to know what works and what doesn't, rather than just opinions. Lord knows we have a lot of those.

We're asking for \$389 million, which is in fact a doubling of the budget, to community mental health. We can quibble with the figures, but the reality is that that's about what it is going to take to put a system on the ground that actually works.

Next year I'd like to come and see you and I'd like to make my presentation very short. I'd like to offer you two words, and those two words would be, "Thank you."

I'll end there, if you have any questions for me.

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The Vice-Chair (Mr Ted Arnott): Thank you very much for your presentation. We do have some time for questions. I'll turn first to the government side.

Mr Sampson: Thank you very much for your presentation. I want to pick up on just one of the many comments you had, and that's around the data collection. There was an article in the paper this morning from the federal privacy commissioner saying we collect way too much data; it's been blamed on 9/11, and yadda, yadda, yadda. We have another story of an alleged theft or loss of the hard drive of some computer that's got health records.

I think I'm with your side of the issue that we need to find smart ways to collect this data so that we can better manage the cases, better manage the information that those cases tell us about: recovery models, whether they are effective or not effective. Get away from the theoretical stuff; let's just see what actually happens. How are we going to do this? How are we going to struggle against those who say, "That's private information. We don't need to collect it"? If we want to help somebody, we're going to have to find smart ways

to do this. Can you give us some advice on how break this log-jam?

Dr Everett: Yes. One of the things that I've always maintained is really important—mental illness, being a stigmatized disorder, has worked under legislation for eons. We know how to collect information on private issues and we have signed forms. We cannot move one piece of information from one agency to another without signed forms from the individual. There are ways to manage the privacy based on consent that we've already worked out. In fact, we are running an electronic health record in Timmins, through the CMHA for mental health clients. It's working marvellously. It can work.

I think we have to target what we need to collect and what we don't need to collect. You're right: garbage in, garbage out. Also, none of us talk to one another, so all the proprietary software in the hospitals, which has cost a bundle, doesn't relate to anything else and there's no way to roll it up and find out what's going on. The sorry state right now is that in the community mental health system, which as you know is a narrow segment, we don't know who we're serving, we don't know where we're serving them and we don't know what we're doing to them.

Mr Sampson: Even in my riding, I've got two hospitals. You can go into one emergency room and they ask, "What's your name? Let me see your health card. Where do you live?" You walk out of there, go right down the road to the next one that's a five-minute drive, and, "What's your name? Where's your health card?" It's like you came from another planet.

Dr Everett: Yes. If they can figure out your reservation in Hong Kong at the Holiday Inn, why can't they do it across town? I think it's doable.

Mr Sampson: From your sense, is the health community prepared to look past the obstruction of some of those who think that private information is private information and that's the way it should always be? There's a lot of political opposition to what you and I are talking about. A lot.

Dr Everett: Yes. I think the health care community knows it has to go there. They also know they fax your records all over the place, to God knows where—space. They know what's going on right now, and they know there is no way as appropriate for privacy as an electronic environment that is highly protected. It's public perception that if your stuff goes electronic it ends up on a VLT down at Eaton's or something like that, but this is not true; this is not the case.

The Vice-Chair: I need to turn to the Liberal caucus now.

Mr Kwinter: Thank you very much for your presentation and for bringing to us what I think is a crisis in health care, and that is the mental health issue. You talk about how one out of every five people will experience a mental health problem during their lifetime and you talk about how close to 50% of all of the time-off sicknesses are due to some mental condition.

I think the major problem is the stigmatization. People don't want to talk about that. I think there's a really

dramatic case in point right here in Toronto: the Prince Edward Viaduct. People have been jumping off that thing for years. It's the second highest-suicide point, I think, in the world, next to the Golden Gate Bridge in San Francisco. While they were putting up this barrier, four people jumped off during that period of time.

Dr Everett: That's right.

Mr Kwinter: When you look at the people who are committing suicide, unless they're diagnosed, unless someone knows about it, they appear to be somewhat normal.

Dr Everett: That's right.

Mr Kwinter: Is it a matter of education? I'm not talking about their education, but educating the public as to what the issues are and how to try to identify these issues in order to raise the awareness of the problem. I don't think the awareness level is there.

Dr Everett: Certainly my organization's job is to do just that. We personalize it. There is nobody in here who doesn't know somebody with mental illness, and there's nobody in here who doesn't know somebody who has committed suicide. Do we talk about it? No, we don't. When I visit the Minister of Health, he says, "What parade are you in front of, Barbara?" I need the citizens of Ontario to stand up and say we absolutely need these services and we must have them.

To be honest, since September 11 there's been a sea change in the opinion around mental health. Suddenly the whole of the citizenry is understanding that every body has a head, and it really matters how that head is working. I think the time for mental health to come out of the closet is now. I think we're getting somewhere finally; it's been a long haul. But it depends on people like yourselves and the constituencies you represent to speak out and to lobby, frankly, for the kinds of services that we need, because it is a crime.

Mr Kwinter: When you talk about mental health, I think the average person feels that this is someone who has to be institutionalized, and we can deal with those, but how do you deal with the people who are at the other end of the spectrum, who are suffering depression, when it's not perceived by a lot of people that this is a mental health problem?

Dr Everett: Depression can be very serious; 15% of people with chronic depression die by suicide. What you'll see here is that mental health is the poster child for two-tier health care, so whenever we're arguing about two-tier health care—we deal with it all the time. Anybody with mental health problems purchases their services. They buy private therapy. They get it through their work, through EAP, all of those kinds of things. It's quite privately developed. Any time you go to a spa, what do you think you're doing? You're going for your mental health. You take a day off; it's called a mental health day. Businesses are starting to wake up to these kinds of things because they're bleeding from the bottom line.

So you're right, we have two sets of languages. I myself am under stress, and the homeless person is

mentally ill. Well, guess what? A homeless person has a lot more problems than I have.

Mr Christopherson: Thank you for your excellent presentation. It was very effective. I have two points I want to raise. One is this whole notion of the criminalization of those with mental illness. I'm sure that Mr Sampson, also as a former minister of corrections, will appreciate that the numbers hold up. I wanted to put it in the context that in the late 1980s as an alderman in Hamilton, I chaired a task force looking into this issue from a municipal perspective. One of the things we identified was the revolving door syndrome, where people were going from the streets to the emergency ward to the prisons to the streets. At that time, I was limited to just a viewpoint from the city. When I became the minister of corrections, all it did was emphasize and support that view even more, with what I then was able to see from the vantage point of being the minister of corrections.

From everything I've seen, it's just getting worse. It was bad in the late 1980s, it got worse in the 1990s and if ever anything deserved to be called a crisis going into the new millennium, it's where we are now with that. I'll leave that with you, if you want to comment.

The thing that struck me is that it's not often we see numbers this dramatic, but you emphasized in the presentation what happened in Windsor, about reducing the reliance on hospitals and emergency rooms by changing the way you do primary care as it relates to those who have mental illness. Again, if I can, Chair, the stats bear repeating. The hospital stays were reduced in Windsor by 75% over the past year—that's a phenomenal number—and the number of days spent in hospital was reduced by 79%. Then in emergency room visits—and I would hope the government would pay particular attention to this—there was an 84% decrease in that population's use of the emergency room. If you think about all the dynamics involved in what happens in those emergency rooms, that is just an absolutely mind-boggling number. Also, 75% have a decreased use in crisis centres, which means there's less acting out, which means people aren't going to into an acute state, that they're somehow managing to deal with day-to-day activities with a little more relationship to what we would call a normal existence, if I can use those words. Those are dramatic changes. Is there any reason why those kinds of results can't be transported into other communities?

Dr Everett: None whatsoever. This is what we do for a living. This is why I like my job: what I do works. Twenty per cent of people in jails are exhibiting some sort of mental illness. We've had clients who broke an \$80 window and ended up in jail for three months, often in solitary confinement because they're so vulnerable in the jail population that you have to put them away where they're going to be safe. Now what does that do for their mental illness?

The idea of having nurse practitioners in community mental health agencies hasn't proliferated, but this is one

case—one case in the whole province of Ontario. The impact that woman has is astounding. She finds people who have not been examined by a GP for years with lumps in their breast. She saves lives. It's an astounding contribution that that woman has made. In fact, she received our award of the year this year because of what she has done.

Mr Christopherson: You've made a very effective presentation. Thank you very much. Keep up the good work.

The Vice-Chair: Yes, and thank you very much for your presentation. We appreciate your advice.

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CO-OPERATIVE HOUSING FEDERATION OF CANADA, ONTARIO REGION

The Chair: Our next group is the Co-operative Housing Federation of Canada, Ontario Region. I understand there are representatives of that organization here. Welcome to the standing committee on finance and economic affairs. Could you please introduce yourselves for the purposes of Hansard?

Ms Lori-Anne McDonald: Absolutely. My name is Lori-Anne McDonald. First, I'd like to thank you for the opportunity to make this pre-budget presentation on behalf of 125,000 residents who live in co-op housing in Ontario. I'm vice-president of the Ontario council for the Co-operative Housing Federation of Canada. With me today is Harvey Cooper, who is manager of government relations. Harvey has worked and been involved in the co-op housing sector for some 25 years now. I myself have been on the Ontario council since 1998, and I'll tell you that my commitment to housing is a very personal commitment, because when I found myself a single mother of two young children making close to minimum wage and I needed affordable housing, I was told that there was a six- to seven-year waiting list, and that's absolutely unacceptable.

Today I want to talk to you not about me but about two key concerns we have: the urgent need for new provincial funding to develop affordable housing for low- and moderate-income households and the need to protect our current Ontario existing stock of housing by increasing the provincial funding for the capital reserves that housing providers need to fund the future replacement of their major components.

In housing, co-ops are proud to do our share. Our co-op members are working hard to take advantage of the very limited opportunities that exist to expand the supply of co-op housing. On January 27, the Margaret Laurence Co-op in downtown Toronto opened up an additional 16 apartments, developed by converting two elevator shafts that were not being used and adjacent lobby space. This added to their existing 133-unit apartment building. Households in these 16 apartments will receive rent supplement assistance, thus ensuring access to low-income people. Four of these units will be offered to clients of the Toronto People with AIDS Foundation.

Financial assistance for this development was provided by the builders, Canada Mortgage and Housing Corp and the city of Toronto.

Another example of our members' commitment is an initiative by the Co-operative Housing Federation of Toronto and its 161 co-op members to give a priority on their waiting lists to homeless families living in temporary shelters to move into permanent housing in our co-ops.

Throughout Ontario, co-ops have applied for many of the 5,000 new rent supplement units that the province announced in January 2000 as part of the homelessness initiative. With this new money, which came, it should be noted, from surplus federal housing dollars, our members will be able to offer a home to even more low-income households.

Unfortunately, there's very little improvement in Ontario over 2002. Very little real progress has been made in the past year to address the critical shortage of affordable housing for Ontario's low- and moderate-income tenants. There has been a minor easing of critically low vacancy rates, but many years of low vacancy rates and rent increases higher than inflation have altered the market fundamentals for those unable to afford ownership. For these tenants, relief has not appeared; it's not there. It would take many years of rising vacancy rates and flat or declining rents to create significant improvements.

One concrete development, though, is that Ontario's Ministry of Municipal Affairs and Housing is finally ready to implement the new affordable housing program that was initiated by the federal government. However, the program, as announced by the ministry, has very serious flaws. The provincial funding falls so far short that the program will deliver almost no benefits to low-income tenants unless it is redesigned and significant funding is added. Most of our recommendations today deal with the need to improve this program.

Before commenting on the program, however, we want to touch on the highlights of our overview of the continuing affordable housing crisis faced by Ontario tenants. Please consult our written presentation for the full details, but here are some stats: vacancy rates improved slightly, rising from 1.7% to 2.3%, but failed to achieve the 3% balanced market norm. However, the greater availability of apartments was in the expensive range. In Toronto, apartments over \$1,200 had a 3.2% vacancy rate, but those under \$800 only had a 1.6% rate.

Recent years of dramatic rent increases slowed slightly in 2002, with the average rent increasing by 2.3%. However, the combined increases over several years far outstrip inflation.

New rental production is very low: 3,800 units in 2002, compared to average annual levels of more than 10,000 units in the early 1990s. Meanwhile, rental demand for an additional 16,000 new units annually is nowhere near being met, and the cumulative gap over the last decade between new units built and the demand is almost 80,000 units.

Meanwhile, from 1991 to 2002—this is key—Ontario lost more than 24,000 existing conventional rental units, and the most recent consensus has documented a further loss in the last five years of more than 40,000 rental units in the secondary rental market; that is, rented condominiums, basement flats etc. We're losing housing stock.

Provincial funding for new affordable housing: CHF Canada has joined with the Federation of Canadian Municipalities, FCM, in calling for a long-term national affordable housing strategy, with Ontario as a full partner.

We were encouraged when the federal government announced in Quebec in 2001 that \$680 million in funding—\$245 million is Ontario's share—would underpin a new federal-provincial cost-shared program. However, the final 10,000-unit program announced by the province last month is a huge disappointment. Major flaws in the program include the following: Ontario is only providing \$20 million of that \$245 million share, 8%, leaving municipalities to cover the rest of the province's share. The program will only produce market rent housing. Not a single person will be taken off the municipal waiting lists for affordable housing.

Capital contributions under the program on a per unit basis are far too low to produce affordable rents given the lack of provincial contribution. Funding levels overall are also far too low. The program, if fully delivered, would meet only about 20% of the annual production targets for affordable housing established by the FCM. Program benefits are short term, 15 to 20 years, compared to the long-term benefits of non-profit and co-operative housing.

Ontario has no excuse not to pay its full matching share under the affordable housing program. Even before the 1998 downloading of social housing funding responsibilities to municipalities, Ontario had cut over \$300 million annually from its housing expenditure level in 1995. This leaves the province more than enough spending room to fund its full share of the federal-provincial program.

Improvements are needed to the affordable housing program. Here are our recommendations, and this is the key to my presentation today.

(1) Please increase capital funding. The Ontario government should guarantee annual capital funding of at least \$50 million to match the annual federal funding under the new affordable housing program starting with the 2003 budget. If you don't do that, failure to do so will only increase the municipal burden.

(2) Provincial funding for rent supplements must be added to the program. Provincially funded rent supplements should be provided for at least half of the 2,000 units to be developed each year under the program. For the program to serve low-income tenants now on municipal waiting lists, the province must provide significant new supplement funding. The average market rent in Ontario last year for a two-bedroom apartment was \$836 but the income of half of Ontario tenants is less

than \$23,000, which leaves them \$580 a month or less to spend on rent. Where does that difference come from?

(3) Half the units should be targeted to co-operative and non-profit housing. At least 50% of the units funded under the new program should be designated for co-op and other non-profit housing to ensure the long-term affordability for low- and moderate-income households and to achieve the recognized benefits that are provided by these forms of community-based housing.

The program only requires that average market rents remain affordable for 15 years. At their option, municipalities can extend that to 20. In the case of private sector proposals, this is a large public investment to make on housing that will cease to be affordable after only 15 years. Meanwhile, non-profit and co-op housing are an option that provides permanently affordable housing. CHF Canada is calling on the province to set aside at least half of the units in this 10,000-unit program for non-profit and co-op housing.

(4) Improve the project selection process. The rigid tendering process currently planned should be more flexible, and provisions that prevent municipalities from giving priority to projects that offer lower rents and longer periods of affordability should be removed.

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The selection process designed by the province is badly flawed. The strict tendering rules require that the lowest bidder, using the least amount of public subsidies, be selected. Non-profit and co-op housing proponents would be penalized for drawing on all the available subsidies in order to produce the lowest rents possible for low-income residents. Those are the ones we need to target.

Equally problematic is the provision that the tendering process cannot favour projects that offer longer-term affordability. That's ludicrous. The guidelines must allow municipalities to give priorities to projects with the longest term value for the taxpayers.

The rigid tendering process imposed by the province works against a community-based development process. In the 1960s, much public housing was developed under a provincial tendering model. The result was many projects that were insensitive to the needs of both the tenants and the surrounding community. We have a responsibility not to repeat that part of housing history in Ontario.

(5) Our last recommendation is to protect the viability of existing social housing. The Ontario government should provide funding in the 2003 budget to top up the capital reserves of all social housing downloaded to municipalities to a level that will enable them to pay for the future replacement of their capital assets. Municipalities and social housing providers share a serious concern about the long-term viability of the social housing stock now funded and administered by municipalities.

While still under provincial administration, the province imposed a moratorium for several years on the funding of capital reserves for co-ops and other housing.

These reserves were used to pay for the replacement of major building components. Putting that moratorium on the fact that they were underfunded to begin with has created serious underfunding of capital reserves. This deficit was passed on to the municipal sector as a part of the provincial downloading.

The Minister of Municipal Affairs and Housing knows that capital reserves are seriously underfunded. A series of studies by the ministry has shown this. The ministry's most recent study was commissioned two years ago and has long been completed. The ministry refuses to release it, however, because it shows the funding gap. Several municipalities have done their own studies. One by Peel region, for example, reveals a shortfall in the capital reserves of housing providers in the area of \$100 million.

Housing providers cannot pay for capital replacement out of their already stripped-down operating budgets, but the work will still have to be done if we're going to protect the asset. If the province does not fix the problem it has created, the cost will fall to municipalities. This will place a huge new burden on the property tax base, already hard hit by the cost of social housing. The province must deal with the problem in this year's provincial budget, and I certainly hope you take that into consideration and do so. Thank you.

The Vice-Chair: We have a moment for a question from each caucus. I'll start off this time with the Liberals.

Mr Kwinter: Thank you very much for your presentation. You really put the focus on some major problems. In my constituency office there isn't a day that goes by that I don't have people coming in who are waiting to get into affordable housing. They're on waiting lists at the Metro housing authority, and they tell them it's going to be six years, seven years, eight years. These people are in their 80s and they're saying, "How am I going to do that?" When you talk to the city, they say, "This stuff was downloaded to us. We don't have the money to really deal with this. It's going to be a crisis." So I really take your point.

The other question I wanted to ask, or make a statement on, is, we had the senior economist from the Bank of Nova Scotia here. She was here today in another role. I didn't get a chance to ask her, but I was taken by the fact that a lot of people feel there are a lot of investors who are buying condos and then renting them out and that's taking some pressure off the rental market. She said—and as I say, I didn't get a chance to question her on it—that that is no longer the case. People are buying condos and moving into them, which means it's only going to exacerbate the rental market because there are going to be more people fighting for the same spaces. Do you have a comment on that?

Ms McDonald: That was exactly our comment, that in fact we are losing rental housing stock. The condominiums were mentioned as a secondary market, and the basement flat restrictions and the people who are living there. So we're actually losing housing stock. When the province got out of providing funding for housing, it was assumed that the private sector was going

to pick up the slack and that there wasn't going to be a problem. That has not happened. We've lost housing stock, especially for low- to moderate-income households.

Mr Christopherson: Thank you for your presentation, as always. I want to declare probably the greatest conflict of interest anyone can have: my mother is a proud resident and advocate of co-op housing, actually served as president of the co-op, has been a founding board member and was active in this federation. So I declare that total conflict of interest, and anybody who thinks they're not going to do what their mom tells them is crazy, no matter how old you get. So, Mom, I'm here fighting for co-ops again.

Ms McDonald: We know her well.

Mr Christopherson: Yes, I know. Everybody does. She does love her co-op, the women's co-op in east Hamilton. Certainly she's done everything she can as a citizen to try to push for this so that other people can enjoy the benefits. She's already there. Her fight has always been to make sure that other people who are in similar circumstances to her get the same opportunity. Unfortunately, in many ways we're going in the wrong direction on this.

You'll be pleased to know, and you might want to actually get a copy for yourself, the Toronto Board of Trade again mentioned the fact that affordable housing is a key part of the future of all our municipalities—and I'll quote from their presentation just this morning. "The province's infrastructure strategy must also include affordable housing." Having said that—and it's good that you raised this, and I want to give you the opportunity to expand on it—they then go on to say, "The signing of the affordable housing program agreement with Ottawa last May was a much-welcomed event. This is an important element in addressing a growing urban problem, a step that will also forge greater coordination of programs to build affordable housing." Again, unfortunately, that part of it sounds more like the government's spin in terms of what they've done rather than the reality. If we take them at their word, and I do, that they see affordable housing and the transportation links that go with that, and if you're going to put people in the cities, then you'd better take care of the air—all these things come together, but if they're serious about that, then we'd also better be realistic about what this agreement is and, more important, what it isn't.

So, again, could you emphasize and maybe compare what Ontario has done with what some of the other provinces have done to set that stage?

Mr Harvey Cooper: Thanks very much for the comments, Representative Christopherson. Certainly we're aware this isn't the first year that the board of trade has called for more affordable housing. Very briefly, on this new modest affordable housing program that's been announced, I guess the biggest gap is it's supposed to be a matched funding program between the federal government and the provincial governments. For example, the province of Quebec has matched the

funding and topped it up. The province of BC has matched the funding. The province of Ontario, their share over the five years, roughly \$50 million a year or \$245 million over five years—they've contributed \$20 million, which is a small amount—\$20 million over the whole five years, \$2 million per year, which is 8%. I think all serious observers of both the rental market and the need to build affordable housing—the reason nobody's building it in the private sector is it costs money. Nobody can get the return.

The government, whatever the programs—incentives to private developers, non-profit programs—has had to fill that gap for 25 and 30 years. The province is not stepping forward to fill that gap. They're downloading that funding commitment to municipalities, and we fear very few units will be built and those units that will be built, the market rents won't be low enough for low-income and middle-income Ontarians, especially if there aren't, as we mentioned in our presentation, provincial rent supplements available. So it's certainly a good-news program, but the details, frankly are—

Mr Christopherson: It's also rather shameful for the richest province in the nation. Thanks for your presentation.

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The Vice-Chair: The government caucus.

Mr Sampson: Thank you for your presentation. Years ago, when CMHC was set up, I think it had two objectives. One was to provide some loan support for those big, bad banks when people basically leveraged their house higher than the "normal" rate, whatever that is. The second was to actually participate in retooling and refunnelling money from new housing construction into sort of affordable—I think there were different words at that time, but the equivalent of affordable housing. We had the home builders come before us—I think it was yesterday or the day before; I can't remember—basically saying Ontario has had this massive housing construction over the last number of years because of the interest rates, which has generated a lot of CMHC revenue.

The reality is that the majority of that CMHC revenue that's generated from Ontario economic growth and Ontario construction isn't coming back to Ontario; it's getting spread to other provinces of the country. Do you support that, or would you like to see CMHC's revenue generated in Ontario come back to Ontario uses?

Mr Cooper: Certainly anything that could be used to build more housing, particularly affordable housing, such as surplus revenue from CMHC, by all means we would support that. What I fear, and I'm not suggesting this is part of your question, Representative Sampson, is we've heard this issue raised before in terms of issues between the federal and provincial governments and who has to make what contribution. We think both levels of government should sit down and look at that issue very seriously, but that shouldn't forestall Ontario's contribution to the modest program that's already on the table—and sure, let's see if CMHC can make further contributions.

Mr Sampson: I'm not trying to pick a fight with the feds. The problem is I just don't think it's fair that you've got this massive growth here in this province and that money is being used, frankly, to build affordable housing in BC, and they go to the taxpayers of the province and say, "Oh, and by the way, we want you to contribute more to the money that's been siphoned to another part of this country," when that was not the intent of CMHC to begin with. So I don't mean to have a fight; I just think it's unfair. We've had presentation after presentation before us saying, "Fix the inequities in the health care system, the education system." Let's fix the inequities that the taxpayers of this province are getting. I don't think that's fair; otherwise, why bother to generate economic activity in this province? Let's all become have-not provinces and look for the have province to pay us.

The Vice-Chair: Thank you very much, Mr Sampson. I have to draw this round of the discussion to a close.

I want to thank you very much for your presentation. We appreciate your advice and your good counsel.

ONTARIO FEDERATION OF AGRICULTURE

The Vice-Chair: I'd like to call forward next the Ontario Federation of Agriculture representatives, who I know are in the room. Welcome to the standing committee on finance and economic affairs. Could you please identify yourselves for the purposes of the Hansard record?

Mr Ron Bonnett: Yes, I'm Ron Bonnett, the newly elected president of the Ontario Federation of Agriculture, in November. I'm glad to be here.

Mr Christopherson: Where's Jack?

Interjection.

Mr Bonnett: Jack of the world. Yes, that's right. They said I was going to have to shave my head to take over this job, but I haven't done so yet.

Mr Ted Cowan: I'm Ted Cowan. I'm on staff with the federation of agriculture. I'm a researcher for them.

Mr Bonnett: Thank you for the opportunity to make a presentation to you. We actually sat in on a workshop earlier this week with the minister and went through some of the items we're going to present to you at this time.

One of the things we'd like to do is give a bit of an overview of where agriculture is right now and then go on to some specific recommendations that we have with respect to the upcoming budget.

One of the things that farmers are looking at now is the latest census figures that show that 5,000 Ontario farms disappeared over the last census period. I think this is reflective of a number of things. What has happened to the farm community in ways of declining incomes has had an impact on the number of people who chose to stay on the farms. But this is a lot broader than just the impact on farms; it has a great impact on rural communities. A lot of those farms are the ones who are providing the

spending for the local hardware stores and the local retail outlets, so strong investment in farms also is a strong investment in rural communities.

They want to basically at this point enlist the support of the Ontario government in making sure that we do build a strong, stable agricultural industry in Ontario. That's not to say there aren't some bright spots. Even with the declining number of farms, there are bright spots in the agricultural industry, but what we do need is public investment to make sure that we maintain and grow those bright areas.

Agriculture and related processing employs over 600,000 people in this province, and the economic impact of agriculture exceeds \$22 billion in Ontario every year. Farming has always been a source of investment and output in Ontario because the government of Ontario and Ontario's farmers have worked together. Ontario farmers work hard to keep themselves in business and contribute to the growth in Ontario.

If you take a look at our productivity growth, we estimate that at 18% per year in total factor productivity growth. That does give an indication about the kind of growth, but it masks an underlying problem, because a lot of this growth now is being financed by off-farm jobs. People are maintaining their farm operations, making productivity increases, but they're doing that at the expense of having to go off-farm, in many cases, to support their farming jobs.

The other factor that comes in is that rural youth are not seeing the agricultural community as the prime area of economic growth that they once saw, and they're not coming back to the farms. I think what we need is investment in the agricultural community that will encourage youth to continue looking at farming as a preferred choice by which to make their living.

You'll see, as we go through this, that there are several areas of focus, but one of the more immediate areas of focus is Ontario farmers and the environment. With a number of issues that have come up over the last number of years with respect to air quality and water quality, farmers have been increasingly asked to play a more important role in protecting those environmental features.

The other aspect of our presentation deals with the safety support networks that deal with things like adverse weather or adverse markets. We need government support to make sure that we have coverage so when things do go off the rails, we have at least a baseline to know where we're going to be.

I guess some of the measures we're looking at are somewhat different than what they've been in the past. There's been some ongoing investments, but what we're looking for now is some strategic, long-term programs that'll assist farmers, and some of these are based on some key principles that we have to establish.

If you move into the environmental sector, one of the key principles we have to look at is the fact that a lot of the environmental benefits to Ontario society are provided by the farm community. We are the ones who have the land base that can make or break the difference

in water quality. We are the ones who have the land base who can do things to improve air quality.

In the past year, Canada has signed the Kyoto accord, and in Ontario the Nutrient Management Act has been signed. These two legislative pieces present opportunities for farmers, but they also bring new financial responsibilities.

I think one of the things we'd like to mention is that Justice O'Connor, in his report, did recognize that farmers' efforts to maintain the environment cannot be borne by farmers alone. One of the things in his report was that the government should take some portion of that cost, of making sure investments in the environment are public investments.

We get into the first recommendation that we have toward this year's budget: the public at large should share fully in environmental benefits and costs for on-farm environmental improvements, and this would be a founding principle of the provincial government.

I think that as you look at nutrient management and watershed improvement, there could be substantial capital costs on individual farmers, and there's no direct mechanism that farmers have to pass on those costs.

We're asking that support be made for new costs arising from Bill 81. I think we've had a number of public meetings over the last several weeks where one of the number one issues coming from farmers was, "If I have to make capital improvements because of Bill 81, where am I going to recover that money?" I think there's going to be a lot of uncertainty until that question is answered. I think the sooner the government can step forward and give some details of how that funding will work, the sooner we'll get things moving ahead.

One of the other things we're asking is to look at a number of other initiatives on the environmental side. I know there have been some initiatives around biodiesel, but we're looking at methane digestion, wind energy, things like that that could have environmental benefits. I think the farm community is willing to look at that. We'll have to take a look at cost-sharing arrangements and research that would lead toward those developments being moved ahead.

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Another thing that has been extremely successful over the last number of years on Ontario farms is an environmental farm planning process. In this process, farmers go through and evaluate environmental risks on their farms and identify some of the key areas they would like to improve. One of the problems has been having available funding to make the improvements. We are asking that the provincial government become a partner in making funding available for those improvements. This is broader than just nutrient management improvements; this looks at things like pesticide storage, fuel storage and other issues related to environmental risk.

Under tax measures, we have had as part of our policy for a number of years the concept that we should be paying the same retail tax as other jurisdictions. At this

point we're asking the provincial government to do a study to compare what we have retail sales tax exemptions on versus our competitors in Quebec or in other provinces. In some of those areas there has been a lot of work to harmonize with the GST. There are a number of items in Ontario that we do not get sales tax exempted that they do in other provinces. It becomes an issue of competitiveness. We're asking that a study be done to identify those areas that could be changed.

Another key area with respect to retail sales tax exemption is trying to streamline the process for how those exemptions are done. Right now, forms are filled out with businesses to get the exemption. It would be a lot simpler if we could use the farm business registration program that is already in place. Every farmer in Ontario has a farm business registration number. If that were used as the identifier, it would simplify the process for both retailers and farmers. We have already made this presentation to the small business advisory committee, and it's one of the things that has moved forward. So we'd like to see that moved ahead.

One of the other items, which may not seem like a big item, is land transfer tax. Currently, if land is transferred from a corporation to a corporation there's no land transfer tax incurred, yet if that same land is transferred from one family member to another family member, a land transfer tax is incurred. We estimate that there would likely be about \$5 million in costs per year. It's just one of those things: when a new farmer takes over a farm, all of a sudden they have a bill for land transfer tax. It's one thing that could be done to encourage young people to stay on the farm.

Credits for conservation: again, this ties in a wee bit with the environmental initiatives. There are certain lands that are being set aside for conservation purposes and identified as conservation land. We believe there should be a tax credit of \$100 an acre for those lands set aside for that process.

Property tax and assessment measures: over the last years there have been a number of shifts in property tax assessment with respect to farms. I think this relates in some ways to the fact that many farms are seeing their value go up because land values have escalated dramatically in areas around the GTA. A lot of those people who sell that land still want to farm. They go to buy property in an adjoining area, and they want to move that money fairly quickly to get into farming again, because they've received quite a pocket of money from the sale of the development land, but what it has done is artificially driven up the price of that adjoining land. So it means the assessed value of that farm property bears no relation to its productive value. Basically, what we're asking for is that a comprehensive assessment be taken with a view to developing some method of assessing farmland which looks more at its productive value than at its assessed sale value. The assessed sale value has nothing to do with what can be produced on it. We could look at using things like crop insurance records, leases

and things like that to determine what an appropriate base would be to file tax on.

Farm income support: this being joint provincial-federal jurisdictions, I know conversations are taking place late this week with the Ministers of Agriculture. But one of the things we want to emphasize is that we need a set of farm safety net supports that are flexible to deal with Ontario's needs. There has been quite a push lately to remove some of that flexibility from the federal-provincial agreements. We're asking that that flexibility be maintained. I think a good example would be the horticultural industry. It is very difficult to develop production insurance programs for crops like horticulture. And the self-directed risk management program that has been supported by Ontario in the past has really done a good job of filling in that hole. We want to make sure we still have that flexibility to do that. We would try to make sure that all parties in the provincial government are pushing to make sure that flexibility is maintained.

We support the intent of long-term programs. The five-year agricultural policy framework talks about long-term programs. But in order to do that, I think we need an extra year of existing programs so we can get the details right. We don't want to sign a deal until we get the details right. So what we're asking the provincial government to do is support the extension of existing programs for one year until we get the details right.

Relative to that, we have one-year bridge funding still coming on risk management. Last year with that bridge funding the government went to the farm community and asked them what the most appropriate method would be for distribution. We would support that approach again.

One of the other points we would like to raise is around the issue of food inspection services. We would like to make sure there's an ongoing base of funding, and we ask that the Ontario government give its commitment to review and audit Ontario's food inspection service to look at further program changes that may be needed and that funds be set aside to meet those needs. I think one of the things we want to be sure of is that confidence is maintained in the food system in Ontario.

In addition, we are making recommendations that the Ontario government invest in preventive HACCP-type programs for on-farm food safety programs. That would assist in providing reassurance to the public. Again, this falls into the same niche as environmental investments. Food safety investments are public good investments, and we feel that the public should participate in those types of investments.

The final point is around the area of research. I think it's fair to say that Ontario's agricultural community has been very successful in the past mainly because people have the wisdom to invest in research, and we want to make sure that continues. There are a couple of areas that we think you should look at. Number one is the partnership agreement with the University of Guelph. Currently a long-term agreement has been put in place; however, there are fixed levels of funding and we believe

there should be allowances made for inflation in that agreement so that we have the dollars to invest in research. We don't want to see a collapse in the research infrastructure. It's the thing that keeps us at the edge.

The other aspect of research is with relationship to Bill 81, the Nutrient Management Act. We want to see if there are new ways of managing nutrients. We want to see more science behind the uptake of nutrients, especially in the horticultural crops, and it's going to be necessary to have research in that area.

In summary, I'd like to say that Ontario farmers are prepared to meet the challenges of creating economic activity and jobs in the area. What we want to do is build on a partnership with the province of Ontario to make this happen. I guess one of the key things we have to remember is that there has never been a prosperous, stable and flourishing society that depended on others for growing their food.

With that, thank you for the opportunity and I look forward to any questions.

The Vice-Chair: Thank you very much, for your excellent presentation, Mr Bonnett. Unfortunately, we haven't got a lot of time, so I'd ask each of the members to keep their questions and comments very brief.

Mr Christopherson: I note you were looking directly at me, Chair, when you were making that request. Thank you for your presentation. Where did Jack go?

Mr Bonnett: Jack is actually international federation president now. So he could be anywhere in the world. We're calling him Jack of the world.

Mr Christopherson: Jack of all trades. Good luck, because he certainly left big shoes. He was very impressive. Let me just say that you're off to a great start. I wish you well in your term.

Mr Bonnett: Thank you.

Mr Christopherson: One of the things that is happening to a number of us as a result of amalgamation is that even though we're urban—and I'm about as urban a boy and a city boy as you're going to get—large farmland areas and rural lands and lifestyle are now a significant part of the new city of Hamilton. So we need to be a lot more involved and a lot more aware.

I'm going to ask a question that's a little different than usual. Usually I ask what the province can do, because I say the cities are doing everything, but in this case all this is geared to the province. What do you think could be done at the municipal level, given the current powers and responsibilities that cities have, that would be of assistance with the goals you're trying to achieve here?

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Mr Bonnett: I think there are a number of aspects. Number one is making sure that they have meaningful agricultural input into policies. There are two things that can be done with that. One is make sure they've got a very active agricultural advisory group and provide some funding to make sure that input is given. The other is, if there is ward restructuring taking place, try to make sure they design the wards so that areas of common interest are kept together. If there is a core area that has

agricultural people in it, if you can keep that together as a ward, it does help to make sure the messages get dealt with.

The other thing I think would be, especially with discussions around nutrient management at the present time, to make sure that municipalities respect the ability of the provincial government to provide the regulations under the Nutrient Management Act so that there is consistency across the province.

Mr O'Toole: Thank you very much, Ron. Good to see you again. Good luck in your challenging year ahead. I appreciate your excellent summary. As I said, I do come from an ag riding and I do meet with them. I recently listened to Brian Dudgeon on nutrient management and food policy framework. You've covered pretty well everything. Yes, we are in horticulture and market revenues—some of the problems, lack of flexibility. I'm confident that you have a very good ear with Helen Johns. I know that for a fact; I'm on that with Toby Barrett. Keep up the good work. Be assertive, because there are some very important concerns that are under the umbrella of the environment, technically. It's good practices and healthy food and a healthy planet, Kyoto and alternative fuels, all those things. It's an extremely good report.

I'm meeting Monday with a group of young, intelligent, well-educated agricultural youth from my riding, and this will be helpful to me. There are tax and succession rules, the land transfer tax rule and the ongoing assessment problems on farms. I've got some input on that, and I think you've got a good idea here that I've heard before. Our own caucus talked about land transfer tax with provisions that it can't be some kind of flip or name only. Work very closely because you're close to, I think, getting more attention ever than I've heard in the last several years in agriculture because of the work the federal government has done in trying to develop a five-year policy framework and where the support programs click in.

One question I'm going to ask, though: do you agree with three-party support, meaning federal, provincial and producer; they've all got to be involved?

Mr Bonnett: I do, yes.

Mr O'Toole: I was at the region 4 meeting and I couldn't believe—these are 1,000-acre-plus people who were at this meeting. They were saying, "I don't go for the insurance hassle," planning to fail and all that stuff. Half of them were mad at me for saying that. I said I thought it should be a three-party system and find out some rules for withdrawing money, whether it's NISA—

The Vice-Chair: Thanks, Mr O'Toole. I've got to keep it moving.

Mr Bonnett: I believe everything has to be done in partnership, because if you do it in isolation, then you run into a number of other problems because everyone isn't in the partnership both as—

Mr O'Toole: Who gets the disaster relief, yes.

Mr Bonnett: Yes.

The Vice-Chair: Thank you very much for your response.

Mr Kwinter: Could you just explain to me, of these 5,000 farms that have disappeared in that five-year period, have these families just got out of farming or have these farms been consolidated or are they just sitting there vacant?

Mr Bonnett: Actually there are a number of factors. Basically, the land base has not decreased that much, but what you're seeing is that a number of the smaller operations have disappeared. Some consolidation has taken place—all of the things that you mentioned. But the more disturbing fact that we see in the Statistics Canada stuff is that the age of the farmer is increasing. That's a worrisome sign, because normally, if you can keep your age at a fairly stable base, you know that things are revolving. The most disturbing factor we have is the fact that the age of farmers is increasing. We see ourselves, as the baby boomers are going through—and I'm one of those—there's no one stepping up to take over those farms at the present time.

The Vice-Chair: I wish we could carry on this dialogue longer, but we have our schedule. I want to thank you very much for your excellent presentation.

Mr Bonnett: Thank you, Mr Arnott.

ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS

The Vice-Chair: The next group I will call forward is the Ontario Confederation of University Faculty Associations. Welcome to the standing committee on finance and economic affairs. Could you please identify yourselves for the purposes of our Hansard record?

Dr Henry Jacek: Good morning, Mr Chair and committee members. My name is Dr Henry Jacek. I'm the president of the Ontario Confederation of University Faculty Associations, OCUFA for short. I'd like to introduce Henry Mandelbaum, OCUFA's executive director, and Amy Dickieson Kaufman, who is our policy analyst. Some people may recognize Amy; she was a legislative intern here two years ago for Dr Doug Galt and Frances Lankin. She's now a policy analyst with us, and we're happy to have her.

I'd like to acknowledge some of the members of the committee who have been here and whom I've talked to in the past. This is my third time here, and it's my last time here because I'm stepping down as the voluntary president of this organization. There'll be a new face here next year. I'm happy to see Mr Gill here, because I know he's very interested in university education; and Mr O'Toole, whom I normally have an interesting dialogue with at these meetings. I know he's very interested in university education. I'm pleased to see both of them here. Mr Kwinter I know, of course, and David Christopherson, whom I'm delighted to see here. I note with some regret that he will not be running in the next election. He has represented Hamilton West, and I believe McMaster University is the largest employer in

his riding. I'd like to thank David for his work on behalf of the university.

Interjection.

Dr Jacek: He may be my mayor next year. I will note that. Anyway, it has always been a pleasure to be here. I will miss coming here.

The Ontario Confederation of University Faculty Associations represents over 11,000 professors and academic librarians in Ontario's universities. We're pleased to present our main points to the standing committee today. We make six recommendations, and I will briefly describe them.

The current provincial government has committed to this: operating capital funding will follow student demand. We think that's great. The problem is that we don't think there is enough follow-through on that commitment. If we look at the preliminary application numbers for 2003, we see that over two thirds of students are interested in arts and sciences. They attract the most demand, and it's our concern that those areas are not being funded as well as they ought to be. We did a survey earlier this month, which we released a couple of weeks ago, in which we asked the people of Ontario what they think of when they think of quality education. Actually, I think we were a bit surprised. We had a number of interesting items that we thought were important, but people keyed on the idea that a broad university education for Ontario students is the number one indicator of quality. We were delighted to see that, but I must say I was surprised at the great support for that. But that pleases me. So I'd like to ensure that government funding also follows the public's view here and the applications that students make to Ontario universities.

What's the problem? The problem has been that SuperBuild, for example, demands private sector participation, which is fine. Unfortunately, the private sector likes to put money into things like the business faculty, engineering and health matters in the universities, which, again, are all great, but they generally don't like to put money into the basic sciences, the social sciences and the arts. I've talked to a number of business persons, and they often say to me, "That area of the university should be financed by the provincial government. That's not our responsibility. We may like to do special things in engineering, business and health, but arts and basic sciences facilities should be met by the provincial government." It's not being done, and we're very concerned about it. We'd like the provincial government to put more money in that area and help the universities out.

The second item is the unfunded basic income units. Seven per cent of Ontario enrolment is not funded currently by the provincial government. We recommend—this is our second recommendation—that the provincial government commit to funding that enrolment, and that will cost approximately \$100 million a year. I would point out that that is less than what we'd likely spend each month on subsidizing electricity rates in Ontario. I would argue that when that's consumed, it's

gone, but investment in 7% of the enrolment in Ontario universities is an investment in the future.

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The third point I'd like to make is that I think the Ontario government needs to increase the base operating support for Ontario universities now by \$200 million. I would like to see that taken out of the contingency fund. We need \$200 million in next year's provincial budget.

We are having a dramatic growth in student demand, one that was not anticipated in last June's budget. There was an undercount of 8,000 to 12,000 university students for the first year, 2003, and that's not provided in the budget. We need money to try to provide for those students right now. We need to improve the quality of their educational experience and make sure they have adequate resources when they come. Faculty, librarian and support staff resources are really critical.

A common measure of university quality is the student-faculty ratio. The student-faculty ratio is the worst in Canada; the Ontario one, that is. It's increased by 25% over the last 10 years, and it's 10% higher than in other provinces. It is much higher than peer jurisdictions in the United States. These increasing student-faculty ratios mean less attention to students and less contact with faculty. Study after study has shown that contact, close individual contact, between a faculty member, academic librarian and staff with the students increases the quality and educational attainments of our students in universities.

Two days ago, you had before you the president of McMaster University, Peter George. He said that the ratio at his university—and my university—was up to 24 to 1. If you look at the quality American universities, it's 10 to 1. It's a dramatic difference between the quality American universities and quality Ontario universities.

The situation is made worse by the growing shortage of faculty. You have heard, from more than one person, I'm sure, that one third of current faculty members are between the ages of 55 and 64, like myself, and will retire within a decade. If we look at the shortage of professors alone for next September, taking into account the undercount of students we have seen over the last little while, we are short, right today, 550 faculty for next September alone. As President Peter George said, we need over 13,000 faculty to be hired over the next 10 years because of the growing student numbers we will have over this period, because of the decreasing quality and because of the massive retirements we're going to have.

One of the things we're going to have to do—we're not going to be able to rely on our own production, our own graduation of PhD students; we simply don't have enough, and they need to be supported. We're going to have to go outside of Ontario, outside of Canada, and one of the things we're going to have to do is try to bring back many Canadians who have gone outside of the country. I know this is an issue that Mr O'Toole is interested in. We would like to bring those people back,

but we need to have the money for their salaries and for their research facilities.

Quite simply, the competitive challenge for Ontario is very dramatic. The average state university in the United States has 50% more revenue per student; that is a big gap for us to overcome. There are faculty shortages throughout North America. There's stiff competition for high-quality staff, the best and the brightest, and that competition is getting stiffer. The longer we wait, the worse our competitive position becomes.

Our fourth point is that between 1995-96 and 2003-04 there will have been a 20% reduction in operating grants for full-time-equivalent students when adjusted for inflation and projected employment increases. We call on the provincial government to add an inflation adjustment to the university operating grant calculations. This was recommended by Dr Rozanski for primary and secondary schools in his report in December. We believe that the Rozanski inflation adjustment should also be applied to Ontario's universities.

Not only that, it's important to recognize that if anything the inflation problem is worse for universities. The university inflation index is much higher than the regular CPI. For example, in 2000-01 the non-salary price index for Ontario universities was 6% compared to 2.9% in the general CPI. The reason is that we have to buy a lot of lab equipment, machinery, books and journals abroad, outside the country, where they may have higher inflation, and we have to also deal with currency problems.

An interesting way of also seeing this is that we need to adjust the basic operating grant for full average grant funding to take account of this inflation. We have had the same number, approximately \$6,800 per student, over the last two years. So we really need to have an index built into that basic operating grant number.

The fifth point: we are calling for an immediate freeze on tuition fees, accompanied by a review of the impact of tuition increases on accessibility and quality of current policies. One of our big concerns is that although students are coping in some fashion with the increases in tuition at the undergraduate level, we're now starting to see that students who may graduate with bachelor's degrees and who want to go on to professional schools now are balking, particularly if they come from middle-income and lower-income families, because they don't want to take on a large additional student debt to go to professional schools. We're seeing that in our medical schools, we're seeing that in our law schools and I suspect we're going to see that, if we do the studies, in schools of dentistry and pharmacy, those kinds of schools. Students from those families are daunted by leaving professional school with debts that may perhaps accumulate up to \$100,000 at this point. In fact we have heard of cases of people leaving professional schools with that type of debt already. So for people from lower-income families, that is daunting. We may lose students who are very good from lower-income and middle-

income families who say, "I just can't afford to take on more debt to go to professional school."

Our sixth and last point is, we call on the Legislature and the government to establish a longitudinal quality audit of universities—we would like to see all parties involved in this, all stakeholders. We're willing to commit to this—to take a look at what is happening to the quality of our universities. This is an issue which you probably have heard already that the university presidents are very concerned about. We at OCUFA are very concerned about it. We are still high-quality universities, but we are slowly declining, as we don't have enough resources, given the large number of students who are coming. We're falling behind the United States.

We have to do something, because competitively we depend on high-quality universities. A lot of our economic growth and quality of life that we have here today is because of the wisdom of decisions that were made a generation ago by the public officials of this province. If we do not address the quality issue and infuse money into the system now to ensure that the present generation of students gets a good quality-education, then five, 10, 20, 30 years down the road, we can expect the quality of life and the quality of our economy to be on the decline. I think we owe it to the next generation and to the present generation of students to have the same quality of life, or better, economically and otherwise, that we have now.

The Chair: That leaves us just under a couple of minutes for each caucus. We begin with the government.

Mr O'Toole: I do appreciate hearing the perspective of the faculty, for sure. It's absolutely critical. We've had several good presentations.

I hate to go off into a bit of an observational mode, but you didn't mention the words "double cohort." Maybe it's getting too much media.

Dr Jacek: On the double cohort—indirectly I mentioned it, that we have undercounted, between 8,000 and 12,000 students, how many students are coming.

Mr O'Toole: I know Dianne Cunningham has worked very hard to find out how come there are more subscribing students. You hear the number that 12% of graduates go on to university and that kind of stuff; now they're using the number 25%. Nobody really knows. Look at Dr George, by the way. In my view, we are saying a number in the certain thousands and you're saying a number. I think it's all part of this "Give us more money" argument.

Dr Jacek: Well, we think it's valid.

Mr O'Toole: I believe what you're saying is correct and I support on the record here today that they should fund the students based on enrolment, on the per capita formula, whatever that is. We shouldn't be carrying students who aren't funded. I agree totally with you on that. I think you need to be pressing that argument totally.

As far as the capital side, I would encourage the government to continue to work in partnership. There are lots of arguments today, as you know, as a professor, that

say that a full undergraduate arts education is of high value. Those who are specifically educated, like the engineering one, with the adaptive world we have, possibly the arts degree—lots of academics and professionals say that today; much more versatile, ready to adjust to the knowledge-based economy, more intellectual interpretation of the world, as opposed to purely a system interpretation. How do you respond to that, and how do you sell that and fund the arts-based education?

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Dr Jacek: We just look at the employment rates and the career patterns of people who have graduated from basic science, basic arts and basic social sciences. The Statistics Canada data on their careers, the money they make and their advancement show that they are very successful and contribute a great deal to the economy. The data are out there, and we just have to constantly put it out to people. I know there are many people who believed—unfortunately, my father was one of these; he always wanted me to be an engineer. But as I pointed out to him and I'll point out here, engineers, when they go to university, have to spend half their time studying in the humanities, the social sciences or the basic sciences. The best engineers are those who essentially know how to communicate, know how to write, can work on a team, are problem-solvers—skills they learn outside the substantive engineering classes. But certainly engineers are very important. I recognize that many business people want to put money into engineering, which is great.

The Chair: Thank you. We now move to the official opposition.

Mr Kwinter: Thank you very much for your presentation. I should tell you that as of October I am a member of the international advisory board of McMaster University, so I have an opportunity to be on the inside to hear about some of the problems.

It seems to me that we've got this double cohort and we've got SuperBuild providing funds to build the physical facility, and then there is some money, I assume, to man these facilities, to bring in the staff. There's a real shortage of qualified people. How do you, as a faculty association, address that, and what is your recommendation of how to do that?

Dr Jacek: What we have to do increasingly is try to seek out the best people. You heard Peter George two days ago. Just to recall, he pointed out how hard my university, and it's true of the other universities, works to try to bring back Canadians who are outside the country, who are professors in the United States or in Asia or in Australia. We have to do that. We have to try to have our best and brightest educated here and prepare them to take the place of those of us who are retiring. We have to try to bring the Canadians home who are outside the country.

Quite frankly, if we could start a university the size of the University of Toronto and if we could staff it with all the great Canadian researchers and professors outside Canada, it would be better than Harvard University. It would be the equivalent of a Harvard or a Princeton. There are outstanding Canadians, and we have to bring

them home. One of the problems, if you want to bring a basic scientist home—a young Canadian scientist, if they take a job at, say, Florida State or any other state university, will probably be given over \$200,000 to equip a lab to get going in their first year. Ontario universities are lucky if they can provide half of that to a young scientist. If you're a young scientist, you want to establish your career, you want to have a good lab, you need a head start. If you look at what you're offered by an American state university and what you're offered by an Ontario university, you're going to say, "My career will advance much faster and I'll be much more productive if I work in the United States." That's the type of thing we're up against, not to mention the fact that that scientist will probably make 25% more in salary in an American state university.

The Chair: Thank you. We move to the NDP.

Mr Christopherson: Professor, welcome. Both of us are here for our swan songs. Do you want to join us next week? We're going across Ontario, wonderful northern Ontario in February. You've got to love it.

I just wanted to pick up on a key thing you mentioned, and that was that for the last couple of decades we've been living off the dividends of the investment made in the 1960s and 1970s. To his credit, Howard Hampton has been making the argument for a long time that a lot of the fruits we have now are the dividends, but they're running out, and if we don't make the reinvestment, they're not going to be there. I would draw to your attention comments today and yesterday, specifically yesterday, by Mary Webb, who is an economist with Scotiabank and also is chair of the finance committee of the Ontario Chamber of Commerce. She acknowledged the point—you hear New Democrats saying it all the time; I mention Mary because it's important to hear the other side making the same point—that we as a society and as a nation, and therefore as a province, cannot afford to base our competitiveness solely on the notion that whoever pays the lowest wages makes the most profit, that we can't win that game. I have pointed out that even in Mexico, where we lost a lot of jobs, even out of Hamilton directly to Mexico, you have southern Mexican workers undercutting northern Mexican workers. Chinese workers of course are now undercutting the southern Mexican workers. We can't even enter that game, let alone win it. She emphasized that at the end of the day, the value added for us is education, that that's the one area where we have all the pieces to constantly remain competitive.

I'm going to pick up where Mr Kwinter did, because it seems to me that this whole business of the shortage of skilled people goes all the way from carpenters and bricklayers to professors.

The Chair: Question, please.

Mr Christopherson: Yes, I know.

We have a shortage of doctors, a shortage of nurses, a shortage of teachers right across the whole system. I guess it's more of a statement than anything. I'm just supporting what you're saying, that there are other voices

making the same argument. I'll just give you a chance to comment, if you can.

Dr Jacek: When we did our survey, we asked people what they thought about the priority of investing in our universities. They said it's a very high priority, and they said they were disappointed that the government didn't give it as high a priority. That's probably my basic message here: move university investment up on your priority list. Make sure we are educating our best and brightest so that we can have a good quality of life in this province for the next generation.

The Chair: Thank you, sir. We appreciate your input, all of you. We'll take it forward in our considerations.

TORONTO DISASTER RELIEF COMMITTEE

The Chair: Our final group this morning is the Toronto Disaster Relief Committee, as it's titled. Please come forward and state your names clearly for the purpose of Hansard. You have up to 20 minutes, including your presentation and any questions that we may have time for afterwards. Welcome.

Ms Cathy Crowe: My name is Cathy Crowe. On my left is Carly Zwarenstein, the administrative assistant with the Toronto Disaster Relief Committee. On my right is Michael Shapcott, our research coordinator. I'm going to say a few words briefly, and then Michael will follow. Then we'd love to have lots of questions.

As you may know, I'm a street nurse and I'm on the steering committee of Toronto Disaster Relief Committee, which was formed in 1998, when we issued a declaration declaring homelessness a national disaster. That certainly was in response to what I and other people were seeing on the streets. We are also the secretariat for the National Housing and Homelessness Network and are in the process of launching a national 1% campaign which results in additional staffing. You will be hearing lots about this image and our 1% campaign, which is targeted federally but also provincially.

I want to give you a snapshot of what I and my colleagues are seeing on the streets of Toronto right now, just to tell you exactly where we are. It certainly applies to other communities.

Today in this city, as you know, shelters are full. I walked here today from downtown Toronto, and there are sleeping bags and lumps of people all over the city. They are men and women. They are elderly. Many have serious chronic illness, including cancer, chronic obstructive lung disease, heart disease, HIV and tuberculosis. Many are here from other communities. I rarely meet somebody born in Toronto. Just like any other setting that you're in, many have migrated here for work or other reasons—perhaps not enough services in their own community.

Tonight on the streets there will be close to 1,000 people still sleeping outside. It's shocking, but outreach workers in all the vans that go out agree with that number. They are all describing a horrific crisis that we are unable to resolve in any fashion without housing.

Men and women beg me to tell you that they are dying and that they desperately need shelter, but they also desperately need a housing policy, contributed, obviously, by the federal government but also by the province.

Men and women are dying and being born on the streets. There are 300 births that will happen among homeless women this year. The most sensational one happened recently right at our Nathan Phillips Square. It is estimated that hundreds of men and women die homeless every year in the city of Toronto, and Dr Stephen Hwang from St Michael's Hospital has done research that shows that.

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I just want to tell you that and to say that a group of 30 street nurses met last week in Toronto. Sometimes I find it's hard to be shocked, but at that meeting I was shocked. I was told by these nurses that they are giving chemotherapy to people with cancer in shelters, that they recently encountered a man with what's called a Cook's lock in his neck, which is for haemodialysis. They are frequently seeing people with serious, serious illness, and you should know that tuberculosis has returned and is actually classified as a micro-epidemic in Toronto. We've had 16 DNA-linked cases, three deaths and we are moving into inquest in the next few months into one of the deaths. So that's the snapshot. It's not an exaggeration. It's actually a minimization of what I see and hear. I'll turn to Michael now to talk about the solution.

Mr Michael Shapcott: I think the two questions that need to be asked after hearing how desperate the conditions are on the streets of Toronto and throughout the province are how did the situation get so bad and what can be done about it, and our specific recommendations to this committee.

I do want to point out that our submission to this committee is very short and to the point. I hope we get some credit for being very direct in terms of making very concrete suggestions and very specific observations.

How did we get to the situation we're in now? Ontario's housing policy since 1995 has really been dehousing Ontarians. On page 3 of our submission we talk about three very significant policies that have contributed to the housing crisis and homelessness disaster that Cathy has sketched out.

First of all the government, starting in 1995, slashed social housing and other affordable housing programs, starting by cancelling 17,000 social housing units that had been approved for development. Then it cancelled 3,000 rent-geared-to-income social housing units, starting in 1995, and then 3,300 rent supplement units in privately owned buildings, again starting in 1995. If you add that up, plus the units we've lost because the government stopped funding new social housing in 1995, we've had a cumulative loss of over 52,000 units and counting. The objective behind this decision to cancel social housing was that the government wanted to encourage construction of new private rental housing by removing

the so-called competition from co-op and non-profit housing.

Second, government policies since 1995 have been to gut rent control and tenant protection laws to allow rents to rise to "natural levels." In fact, rents in most parts of the province are rising; they're rising very rapidly, in most cases at the rate of inflation or double the rate of inflation. Last year, for instance, tenants in Ontario paid \$154 million more to their landlords than they did in the year 2001, yet tenant household incomes are stagnant or in some parts of the province actually declining. Rents are rising; tenant household incomes are stagnant or declining. Again, the policy objective behind this on the part of the government was to generate more money through higher rents and have that money invested in new private rental housing.

The third policy this government has pursued since 1995 is to offer public subsidies to private landlords, a package including direct rents, tax preferences and rent supplements. But private landlords haven't been taking up these handouts that are being offered by the government. Indeed, the government's own policy experts, the Ontario Housing Supply Working Group, in a report released just a couple of months ago said that while they wanted to have even richer public subsidies for private landlords—and I'm quoting from the report—"none of [these] measures ... would be sufficient to result in new rental projects which are affordable to tenants with very low incomes." So we're providing expensive subsidies for new housing but it's not reaching the people who need it the most.

I think the best way to judge the success of the Ontario government's housing policy since 1995 is to look at what they said they wanted to do and what's actually happened. The very first Minister of Housing in the current government, Minister Al Leach, said in December 1995 that once the government had fully implemented its housing strategy, there would be 20,000 new rental housing units in Toronto alone plus many thousands more throughout the rest of the province. Minister Leach was of course very wrong. Not only has there been a net loss of private rental units in Toronto and across the province, but we can in fact quantify that very exactly. Canada Mortgage and Housing Corp in numbers released last November has shown that Ontario has lost 13,258 private rental units since 1995. So all these policies designed to encourage new private rental development have in fact led to fewer units in the province. Then when you add the cuts to subsidized units by the province, which I mentioned earlier, we see why we have such a severe province-wide housing crisis and a homelessness disaster.

The Ontario government, of course, has announced that it will provide a very small contribution to a federal-municipal housing program that was announced in November. Ontario will be paying about \$4 million a year over five years as its contribution to that program, but that is a very minor contribution.

We're still seeing a problem in terms of supply and affordability. So specifically, our recommendations to this committee are that we urge this committee in its pre-budget report to the Ontario Legislature to recognize that the housing policies that have been pursued by the government since 1995—the facts show that they have made affordability and supply problems worse for renter households throughout the province. They need to be reversed, and in particular, Ontario needs a new social housing supply program.

We're recommending 13,000 units at a cost annually of \$650 million; the province provide full matching share to the affordable housing program—that would be \$49 million as Ontario's contribution annually—the province reassume funding for existing social housing, \$850 million annually; the province provide rent supplements for tenants moving into new social housing and other units, \$50 million annually; and finally, the province provide new rent supplements for tenants living in existing units, at a cost of \$136 million annually.

We're also recommending, although we don't have a dollar amount to put on this, that the province increase its per diems to municipalities for homeless shelters, because as Cathy has said and as we know, the conditions in many homeless shelters are below standards set by the United Nations. The exact amount of the per diem should be based on consultation with shelter operators, municipalities and community-based groups.

Finally, we'd like to urge this committee to urge the Legislature to adopt the recommendation of the coroner's jury in the Kimberly Rogers inquest to increase social assistance to realistic levels, to the actual cost of housing, the cost of food and the other costs that Ontario Works and Ontario disability support program recipients actually have to pay.

Because of the cuts of the government to welfare in 1995 and no increases since then, welfare recipients have faced dramatically increasing rents and increasing costs of food and other necessities. We've estimated that it should be about \$850 million to bring welfare to a more appropriate level. We're not sure if that's an exact number, but that's our best estimate at this point.

Those are our recommendations. We'd be happy to answer any questions.

The Chair: Thank you. We have just about two minutes each, beginning with the official opposition.

Mr Kwinter: Thank you very much for your presentation. The stereotypical view of the homeless is some figure with a blanket lying over a grate in the street. But in my riding I've got probably one of the largest concentrations of seniors in Ontario. I have people coming in to see me regularly. These are people who have been contributors to society, are now elderly and find that they can't pay their rent. They may be getting a pension, but the rent is utilizing 70%, 80% of what they get. They're saying, "Pretty soon I'm going to be out on the street." They're not just using that as sort of a figure of speech. They're saying, "I am literally going to be out on the

street." These aren't, as I say, the people you'd normally think are homeless.

Do you have any figures as to how many of these people are literally just hanging on by their fingernails and are going to be in that kind of a situation?

Mr Shapcott: There are numbers that have been generated through a study called *Where's Home?* Many municipalities across the province have done studies on homelessness and people who are close to being homeless, and what they find is that typically about one in every four tenant households in the province of Ontario is about one rent cheque away from being homeless.

What we see, though, in many homeless shelters like in Brampton, in Mr Spina's home community, or in Oshawa and other places—we're hearing reports that between one third and one half of the people who are in homeless shelters are working people, people with jobs who simply can't find housing that's affordable with the paycheque they have.

In the city of Toronto, there are over 400 seniors who are homeless. There are 300 pregnant women who are homeless. We've all witnessed the tragedy that happened last Sunday of a pregnant woman giving birth in Nathan Phillips Square in Toronto. This province was unable to provide that woman with any kind of housing or any kind of support or help before her pregnancy, but now she seems to be getting some assistance from the police in terms of being charged and hauled in front the courts and possibly jailed. I think that is indicative as well of the kind of misplaced priorities. If the housing and specific supports are in place, then we could deal with some of these situations.

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The Chair: We move to the third party.

Mr Christopherson: Thank you for your presentation. Mr Hugh Mackenzie was in here the other day as one of our expert witnesses and advised that the cumulative amount of the tax cuts to date is about \$14 billion. He mentioned parenthetically that \$700 million of that was to carry the debt to pay those tax cuts when the budget was still in deficit. But \$14 billion. We had five or six years of the biggest economic boom that North America—not Ontario but North America—has ever seen, and of course the argument during the good times is that we need to have these tax cuts so we can ride the wave and be on the cutting edge and win in competitiveness. They're all wonderful arguments. The problem is that the money then goes into the tax cuts rather than going into health, education, affordable housing, the environment etc, all the things that make society worth living in.

Now we're getting into the bad times. The same folks are coming in, wanting more tax cuts, only this time the argument is, because the economy is doing so poorly, now we've got to have the tax cuts to have the incentives and to remain competitive. Again, to some degree there's an argument there, but in both scenarios, the money goes into the tax cuts but it never finds its way back into

society, which is what the tax cuts were supposed to do, based on those arguments.

I want to give you an opportunity just to give a couple of short sentences to those people—very honest, legitimate, good people—who believe that the tax cuts are the way we're going get ourselves out of all these issues. Make the pitch to them that this doesn't work for us.

Mr Shapcott: The argument we're putting forward is what we call the 1% solution. It's based on an observation that back in the early 1990s, governments used to spend about 1% of their overall budgets on housing. We're saying that government should double that, add an additional 1%. It's a modest amount of money, set against the overall scale of things, but what that money buys is significant amounts of housing. We've mentioned the numbers: 15,000 units of housing annually, which is about what Ontario was building in the years up to 1995. It will deal with the huge social deficit that is here in this province. So the overall proposal is very modest in the scale of things, and it's certainly very affordable when we begin to see those kinds of numbers in terms of how much money is being put into tax cuts versus social programs.

The final thing I want to say is that I know the Ontario government does a lot of polling, because I see some of their polls, and I know that the national government does polling, because they share some of their polls with us. All the polls show that the majority of Ontarians and the majority of Canadians want governments to do something about housing and are prepared even to spend additional tax dollars to solve the housing problem. There's a huge amount of goodwill in this province to deal with the housing problem, and I know from private conversations I've had with Mr O'Toole and others from time to time that many government members and others recognize that people across this province want the government to take some positive action involving the housing and homelessness disaster.

The Chair: We now move to the government for the final two minutes.

Mr O'Toole: I'll probably make a statement, sort of supportive in some respects. I just preface it by saying I'm kind of a fundamentalist guy. I believe that you've got to have the economy to have the quality of life. It's that simple. I look at Afghanistan, and they have no economy, so everything else is in disarray: struggles, tribalism. It's bad. I'm a Conservative because I believe in the economic principles of order and stuff like that, so we might fall apart on some of what I call the precipitous problem you've described. I don't disagree with any of it. The cause? There aren't single causes; there are multiple causes. In the unfortunate case of the child being abandoned by a mother, there were a lot of different reasons, I'm sure.

This is the second presentation. Your co-producers the other day, who are called the Canadian whatever; they live at the same address as you and had the same message. What I'm saying is that the landlords aren't building, even though Al Leach said they would. So I

ask, why aren't they building? Well, they're not building because there's no money in it, so they're finding other ways and other places to do it. Building in my area is going through the roof. The people who can get out, get out, and you get the precipitous decay. Social costs increase, whether it's the homeless patrols, more shelters, more money for shelters. The precipitous is that you've got to raise the taxes to pay the bills, eventually, to pay the public servants who are, in good spirit, doing all their things. So you raise the taxes and you make the problem even worse, because affordable housing is now ratcheted up because of the cost of the taxes—

The Chair: Quickly, please.

Mr O'Toole: My point is that it's precipitous. My question to you is, how do you stop it? I have children who work in Toronto. They couldn't afford to live here.

The Chair: Is there a question?

Mr O'Toole: The question is, how do you stop the precipitous—who would ever build affordable housing in Toronto except government?

Ms Crowe: You should be building it. If it had been built, we wouldn't have gotten to where we are. The mother who delivered her baby at city hall was abandoned not just by the city but by this province. People have to realize that your government is being recognized as one of the few governments in the western world that does not build social housing. You'd better start doing it—

Mr O'Toole: All the money that's in social housing—

The Chair: Let Ms Crowe answer.

Ms Crowe:—because people cannot get jobs or go to work unless they have a place to live.

The other thing is, I just want to point out, because it seemed a bit sarcastic when you mentioned the other group that has the same address—

Mr O'Toole: No, no. I agree working together is a positive.

Ms Crowe: Many organizations have addresses in other Cadillac Fairview buildings. For example—I would like to know the name of the group you were referring to, because it seemed very offhand and disrespectful.

Mr O'Toole: No, no, it was just—

The Chair: Perhaps that could be resolved after we conclude.

Ms Crowe: I'd appreciate it, because I felt that if they're here—

Mr O'Toole: Canadian Pensioners Concerned.

Ms Crowe: That's a pretty reputable group, speaking of Mr Kwinter's comment. Thank you.

Mr Shapcott: Could I just quickly say something to Mr O'Toole? Your comment about your children not being able to find affordable housing is of course more than just a personal situation for your family. Canada Mortgage and Housing Corp analysts say that one of the key reasons we can have an Ontario rental vacancy rate that's increasing—somewhat slightly, but increasing—yet at the same time have a huge affordable housing crisis is that young people who used to leave home at a certain age, get a job and get their own place to live are

no longer able to do that because there's no affordable housing for them.

I know, Mr O'Toole, that you and I have talked about this issue. Many of your colleagues in many parts of the province have said the very same thing to me, that in their communities young people are finding a problem and seniors are finding a problem.

The solution is very simple. The solution is not to make it either/or—either we have a good economy or we invest in good-quality social housing—but to have both. In this very rich province, in this very rich country, why can't we have a government which recognizes there's a priority for taking care of people who have affordable housing needs?

The Chair: Thank you, sir, and thank you, Ms Crowe. We appreciate your presentations.

That concludes our presentations this morning.

Mr Sampson: On a point of order, Mr Chair: We've had a number of presentations this morning and yesterday. We're going to hear some this afternoon and then go on the road around the province. We have this so far, which is kind of a mind-boggling assembly of presentations. I think you are receiving some presentations that aren't even coming before the committee. I'm wondering whether we can get the research officers to condense these into some charts, if they can. I would like to know the names of the presenters, with a brief description of the issues they're raising—and many of them have dollar amounts attached to them. I would like to have that, and cross-referenced. If we have two different groups making the same pitch, I'd like to have that boiled down into issues as well. Do you see what I'm saying? So by name and then by issue, and if I can have a dollar amount. I've lost track of how much people have asked us to spend so far, and I'd like to be able to get a handle on that.

We're going to be asked to make some recommendations that will require some choices to be made. I don't think there's anybody in this province who believes we have—a current number—\$20 billion to spend on additional expenditures in this province. That's my current rough tally that I've been using. All of us, the members opposite and here, are going to have to make recommendations that reflect some choices.

I'd like to have that, and as a member of this committee I think I would be entitled to that in order to justify and be able to come up with my opinion and my input when we do our report writing.

The Chair: To verify this, I just want to paraphrase it and then I'll give you a chance, Mr Christopherson.

You'd like a summary of presenters and the dollar tab, also broken down by issue, and the overlap eliminated between presenters as long as it addresses the same issue.

Mr Sampson: No. I'd like to have both. I'd like the presenter, the issue that's being addressed—for instance, we just saw one here. One of theirs was—

The Chair: Yes, and then broken down by issues and a tally.

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Mr Sampson: The number, and then a cross-reference for issues. This group has come forward on homelessness and the pensioners came forward with it, so it's two groups saying the same thing. They might have different numbers. It would be nice to see if their guesstimate of that number is different. I don't know how anybody in this committee can mindfully and properly make recommendations without that information.

The Chair: I think we have the gist of your request, sir.

Mr Christopherson: I hear what the member is saying and I suspect very strongly that this follows on nicely Mr O'Toole's comment the other day about all the barking dogs, which of course was his label for people who come in and say that certain investments need to be made. That's fine; we understand that game. If we want to pull those things together, fair enough. They're really happening.

But I would also ask that on the other side of the ledger there be the same kind of accounting and the same kind of tally as to what the total is and will be for all the tax cuts that all the groups are coming in here asking for too. As you well know as a former parliamentary assistant, as I was, to the Minister of Finance, a tax cut is as much an expenditure as investing in education or affordable housing. In terms of accounting, a tax expenditure is a tax cut. So if we're going to go down that road, fair enough, but I would like the other side of the ledger to be total and complete, using the same rationale and the same thinking that's going into the other expenditure requests that are being made.

Mr Sampson: To follow on that point, I didn't say we should pick one presenter over another. I said all of them, and I do mean all of them. If somebody has come forward with a tax cut suggestion to the extent that either they've priced it or research has some knowledge that we don't have, let's see it. I think we need to balance all of them. How can you do that unless they're in front of you?

The Chair: I appreciate that. I'm going to allow the researcher to explain his position here.

Mr Larry Johnston: We do have an agreement coming out of the subcommittee meeting that research will provide a summary of testimony that will be available the first week after the hearings have finished. In the normal course of events, that would arrange the recommendations by topic, identifying the presenters who have made recommendations. Typically, for the purposes of brevity, we will group together presenters who have made identical recommendations into a paragraph. We did do last year for the committee a tally of the spending requests and a tally of the tax cut requests. We did that last year and we can do that again this year.

Mr O'Toole: Mr Chair, I agree, and I recall last year that it was very helpful. I do keep all this stuff; honest to God, I keep it. I think it's the most important thing we do. I'm not just grandstanding. They are the position

papers of those provincial organizations, whether it's agriculture, housing or whatever. I need the definitive paper. I keep this stuff.

My point is that a summary is not what I want. I want it very simplified, similar to Mr Sampson, and I have it. I do it on my own schedule sheets. That's how I do it. I try to boil it down to what their issue was. What's missing is the dollar thing.

The Chair: Then clearly you should have a sample of last year's report as well.

Mr O'Toole: Yes, I do. I still have it.

Mr Sampson: I think I'm asking for more than just last year's report. I need this on an ongoing basis. I don't need it two weeks after people have come before us. I need that as they come forward. Mr Kwinter has been doing a good thing in keeping the banks and their economists honest by saying, "You said it was 3% and the guy next to you said 2%." My brain is not smart enough to do that. I need a little help in doing this. If we can have that ongoing information and start off the tour of the province on Monday, so that when people come forward—I need to have this. I'm asking the committee Chair to instruct the researchers to do that for us.

The Chair: OK. Thank you.

Mr Christopherson: I sort of got my oar in the water, but I expected that once we heard from the research officer, common sense, if you will, would prevail.

The reports we've gotten in the past—and I understand that maybe this is your first go-round, Rob, but a few of us have done this a lot of times, and as confusing as it is and difficult to stay on top of, there are eventually trend lines. As we move through the communities we hear a micro-version of the health issue we heard, we hear a micro-version of the tax issue in, say, agriculture that we would hear province-wide here and we might hear something specific when we're in Thunder Bay next week. The report, at the end of the day, does pull all that together so that we're not attempting to do that. Our job is to try to focus on each of these presentations.

Here's my concern. My concern is that the reason is—and maybe not you specifically, but you made the recommendation—that it's a nice little political tool so that when somebody comes in with another proposal, say, for a community health program when we're in Sudbury, you can say, "Wait a minute. We've already had—my goodness, look at this—\$2 billion worth of requests." Obviously, that is meant to tell individuals and their recommendations that they are just one more barking dog, to quote Mr O'Toole.

Interjection.

Mr Christopherson: You made that comment; you've got to stand by it. That's the way it works around here. You made that comment. You called them barking dogs.

That's my concern, Rob. It's not that you don't want a useful tool but that it may be used in that fashion. We do have a report at the end of the day that has worked so far over the years for each of the caucuses, and I would

worry about what the real intent is. I would tell you, the amount of staff labour involved in staying on top of that kind of thing, on a daily basis yet, is incredible. Given the fact that this is our last day in Toronto and we've got four days on the road, I think to change the process halfway is equally problematic.

The Chair: I'm going to stop this debate right now and ask Mr Johnston if he has any further comments to make on this issue and whether he can do it.

Before he does that, I want to remind the committee that our purpose here is to listen to the input of the organizations that come before this committee. It is not our role to engage in great debates to do what you specifically indicated, Mr Christopherson, and say to a group, "Look, we've already had requests for \$2 billion. Why are you asking us for X amount in your community?" or whatever. It is not our role to get into that debate with these individuals. It is our role, I remind the committee, to receive input from all of the deputants. Then we can get into the debate as to what we choose to put into the report in our recommendations to the minister.

On that note, I will ask Mr Johnston if he has any further comments to make.

Mr Johnston: I would just point out the difficulty of turning around the material on a daily basis, for a couple of reasons. One is that there are written submissions coming in, so while I'm here making notes and listening to the presenters that are happening here, there are other things coming in through the clerk's office that I then have to incorporate at a later point. The other thing is that sometimes requests come through in the course of the questioning between the members and the presenters and, to be fully accurate, sometimes I need to have access to Hansard to be able to make sure I'm reporting correctly what was said, and that's going to take a day or two.

It's not usual for us to provide a summary on a day-by-day basis, particularly in this kind of setting. We could try to put a summary together of the first week before we go on the road, but then the problem is, when we're on the road, that we don't have the same access to resources when we're in hotels. I just draw those things to your attention in terms of the difficulties this may present.

The Chair: Thank you. I indicated that was all the debate I would engage in. Thank you very much, ladies and gentlemen. This committee will recess until 1 o'clock.

The committee recessed from 1219 to 1303.

The Chair: Good afternoon. This committee will come to order. We apologize for the delay. We were a little tardy in recessing, and it became a little bit of a challenge to try to have lunch and return phone calls etc.

CANADIAN LIFE AND HEALTH INSURANCE ASSOCIATION

The Chair: We welcome the Canadian Life and Health Insurance Association. I would ask that you

please state your names for the purposes of Hansard. You have up to 20 minutes, including your presentation and any questions thereafter.

Mr Mark Daniels: I'm Mark Daniels, president of the Canadian Life and Health Insurance Association. With me today is my colleague Jim Witol, vice-president of taxation and research for the association.

At the outset, I'd like to thank the committee for providing us with the opportunity today to participate in your pre-budget consultations. The committee is clearly an important resource for the finance minister in terms of better understanding the economic and social priorities of Ontarians in the context of provincial budget planning. In this context, we hope our submission and comments—it's this blue document here—will provide a constructive contribution to your work.

Before I address the main points of our submission, I thought it would be helpful to provide the committee with a brief overview of the life and health insurance industry in Ontario. The head offices of 79 life and health insurers are located here in the province of Ontario. The industry directly employs 58,000 Ontarians. Life and health insurers protect the financial future of 9.6 million Ontarians. Total annual benefits paid to Ontarians are \$20 billion—that's a little over \$50 million a day. And the industry has over \$110 billion invested in the province. These figures help to underscore the fact that our industry is a major economic and social contributor to the province.

At the outset, we'd like to take this opportunity as well to commend the government for having maintained a balanced budget since 1999 and also for having paid down provincial debt by over \$4 billion. These are extremely important measures that have undoubtedly contributed greatly to the province's continued economic growth over recent years.

I would like to now touch briefly on some of the key recommendations contained in our submission to the committee.

First of all, Ontario imposes a 2% tax on premiums for supplementary health, disability and life insurance. Furthermore, Ontario and Quebec are the only two jurisdictions in North America that impose a retail sales tax—8% in Ontario—on premiums for group insurance, which includes supplementary health, disability and life insurance. In total, these two taxes—the premium tax and the retail tax—add \$950 million to the cost of supplementary health insurance, disability insurance and life insurance annually for Ontarians.

In light of the time available today and the health reform challenges with which Canada's governments are presently grappling, I would like to focus my remarks on the negative impact these taxes have on supplementary health care plans.

Supplementary health insurance plans are an absolutely key component of Ontario's health care and health financing system. In 2001, they provided over \$6 billion in financial resources to meet the health care needs of Ontarians not covered by Ontario's public health system.

They also play a major role in reducing cost pressures on Ontario's hard-pressed public health insurance system. One component of this role was \$2.4 billion in prescription medications for Ontarians. Another component was cash payments of about \$600 million to Ontario's hospitals from supplementary health insurance plans.

As Minister Ecker noted in her remarks to this committee on Monday, the financing of health care remains a particular challenge to Ontario and other provinces across the country. In the context of the challenge identified by the minister, it makes no sense whatsoever for Ontario's tax system to put financial disincentives in place which raise the cost of, and discourage the use of, supplementary health insurance. The total burden of Ontario's premium and retail sales tax on supplementary health plans is about \$520 million annually. By contrast, Australia provides a 30% tax credit to encourage the purchase of supplementary health insurance.

It should be noted that Ontario's premium and retail sales taxes also make disability income protection less affordable at a time when disability income needs are increasing and CPP disability income benefits are increasingly difficult for Ontarians to qualify for. Eliminating this \$220-million tax burden on disability insurance would make protection more affordable.

We therefore urge the committee to recommend that the premium and retail sales taxes on health, disability and life insurance be eliminated. This would make these plans much more affordable for Ontarians.

One final issue that we would like to draw to the committee's attention is capital taxes. This is a familiar theme, I'm sure, in this forum. Ontario, as you know, is one of only four Canadian provinces—the others being Quebec, Nova Scotia and Manitoba—to impose capital taxes on life and health insurers. It is widely recognized that financial institution capital taxes are a tax on solvency that impairs the safety and soundness of our financial services sector. Indeed, the Ontario Business Tax Review Panel concluded in 2000, "The capital tax serves as a deterrent to attracting international investment," and recommended that Ontario eliminate the capital tax. We urge this committee to recommend that the government take action to eliminate the capital tax that applies to life and health insurers.

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To sum up, we recommend that Ontario take steps to eliminate premium tax and retail sales taxes on group insurance premiums, and capital tax. If fiscal constraints make it difficult for the government to take these worthwhile measures immediately, then partial rollbacks of the taxes, such as on health insurance premiums, or phased-in rate reductions, as was done for the retail sales tax in the case of auto insurance premiums, should be considered.

This concludes our opening remarks. I'd like to again thank you and your colleagues for providing the industry with this important opportunity to contribute to your work. We're prepared to explore in detail any areas which may be of special interest.

The Chair: Thank you, Mr Daniels. If that is everything, then that leaves us about three minutes for each caucus, and we begin with the third party.

Mr Christopherson: Thank you very much for your presentation. I think you've been here before—certainly your organization, many times.

Mr Daniels: I have, yes. We've been before this panel before.

Mr Christopherson: I knew the organization had and I thought you had, but I didn't want to be too presumptuous. The reason I mention that is, because you've been here before and your organization has been involved in these kinds of consultations for quite some time, you're familiar with the kinds of presentations we generally get. By now of course, the fourth day into the hearings, we've heard an awful lot about the crisis that exists in health care and education and environmental protection, affordable housing, and the list goes on and on. Given that your recommendations involve tax cuts, which would mean less revenue, I'm going to assume—and you can correct me if I'm wrong—and that you wouldn't recommend that we cut those areas that are being identified as in crisis any further, that leaves us with only one alternative, and that is a one-off, meaning that if you're going to cut one tax and you're not just going to cut an expenditure somewhere else, then you've got to raise a tax somewhere so that it's revenue neutral. I wonder if you could help us identify what taxes you think we should increase to offset the ones that you want decreased.

Mr Daniels: Yes, I have been in this forum before and others like it. Of course, whenever industry officials get in they recommend that a tax be reduced. It's perfectly reasonable for you to come back and say, "OK, how are you going to finance this?" I frankly would resist, and always have, the idea that I'm going to put the finger on some other sector of the economy. I think there are other ways to deal with that, and that's expenditure reduction. I mean, it's not just tax increase. I, by the way, agree with you—I think we all would—that education and health are key elements of provincial concern and a big chunk of the budget.

Our concern is to point out to this committee that the supplementary health care plans are an extremely important component of Ontario's total health care package, and the idea that we're ripping an additional \$1 billion a year out of that sector—and it comes out of the hides of both employers and individuals, because a lot of these are group plans. We are simply saying that in that overall mix it doesn't make a whole lot of sense to us in the current environment that we would be taxing that group as heavily.

I simply pointed out in the case of the retail sales tax, which is virtually unique except for Quebec in all of North America, that this government decided, I guess a couple of years ago, to start phasing out that retail sales tax on auto insurance premiums. We're saying fine, we recognize the revenue scramble governments are in right now, but one way to do this is at least start moving in the

right direction. That's my answer, and I'm not recommending a particular tax that you go after.

Mr Christopherson: I appreciate that, but you do realize the dilemma that leaves. At some point somebody does have to do that, and if you spent some time here and heard some of the things we have, I think you'd appreciate why I'm asking the question. We were hearing about people literally dying on our streets, and that's not over the top; that is happening right here in this city where we're holding these hearings. So, to be fair, when you want further tax cuts and you say, "Well, I don't think we should raise a tax to offset it," fair enough. Then you say it should come out of expenditures but not health and education. Well then, really, where do we go? I'm assuming that you don't want us to go into deficit to pay for your tax cut, and that leaves us with, what, environment, the Ministry of Labour, the Ministry of Agriculture? Where do we go to give you the tax benefit you're seeking today?

Mr Daniels: Excuse me again, Mr Chairman; let's be clear it's not the industry that's seeking this benefit. It's the people who use these health insurance plans who are paying for them.

Mr Christopherson: I'm sorry; with all due respect, you're the first one to come in and ask for these reductions.

Mr Daniels: This tax benefit doesn't accrue to the industry. It's paid by the customers of supplementary insurance plans.

Mr Christopherson: But the cheaper they are, the more you'll sell.

The Chair: Thank you, Mr Christopherson. We'll be moving to the government side now.

Mr O'Toole: First, I just wanted to speak respectfully, Mark, to the work you're doing in this industry and how important this industry is. I think you mentioned a couple of things on the importance of the sales tax. Of course, we have heard that in the past. Some of these are repeat recommendations. In fact, let me check the date here—

Mr Daniels: I'll send a recording next year.

Mr Christopherson: I won't be here next year, if that helps.

Mr O'Toole: Yes, but the city of Hamilton has a lot of—

Mr Sampson: You might be actually arguing for the tax cuts next year.

Mr O'Toole: Exactly, because you'll be the payer.

Mr Sampson: Let's not go there.

Mr Christopherson: Don't hold your breath; I want infrastructure.

Mr O'Toole: Let's go another route, because—

The Chair: Can we stick to the topic?

Mr O'Toole: It's true. He may not even be the mayor. So there you go. Then he'll be back here as a lobbyist.

The payroll issue: how could we most effectively help to create jobs? That's ultimately what this government tries to think it's creating: opportunities for people. Some of these things are specifically payroll issues.

Mr Daniels: I think, Mr O'Toole, you've almost given the answer. It's an employment tax, and employment taxes certainly discourage employment. They put up the cost of adding employees on the payroll. That's a very clear indicator. You'll hear that from business groups on almost any kind of payroll tax. The reason we focus on this particular—I mean, we don't like any of these retail taxes on employment, but on the health care front in particular we think you get a double-barrelled problem because supplementary health care is such an important piece of the whole equation for health care in Ontario.

Mr O'Toole: I just have two more points. First, on the capital tax side, on your investment side of your business, I guess, we had the CFIB tell us that we pretty well hit that utility factor on capital tax, that Quebec's plan is probably the best one. It's where it's all new capital, if you don't put capital tax on. You can respond to that one, just on the new part. Let the existing business plans work themselves out, because they established their plan based on the current rules. The other part, though, is when a person buys supplemental health insurance—I didn't think there was any private health in Canada. The Prime Minister of Canada said there's no private health. I almost fell off my chair during the last federal election, because he is either ignorant or lying. As the Prime Minister he's either ignorant or lying. I'm on the record here saying that. Because 40% of health care is private, through insurance: dental, auditory, vision, drugs. I've got it all through work. It's insurance. WSIB is all private money, it's insurance money—

The Chair: Question, please.

Mr O'Toole: And this—you're adding more to it; 50% of the money in health care is private. Am I right or wrong there?

Mr Daniels: I'll let Jim handle the capital tax issue. I'll just say your number at 40 is a bit high, but the third-largest payer in the country on health care is the private insurers. The biggest payer is the province of Ontario. The second is the province of Quebec. The third are the insurance companies. Of the total \$100-billion bill that's paid annually roughly on health costs everywhere, \$13 billion is paid by supplementary health care plans. About 20% is paid by individuals for out-of-pocket—

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Mr O'Toole: So that would be private health—

Mr Daniels: That's private, but the 20% is people buying Aspirin and stuff, so that comes out to a third, and the rest is government.

The Chair: We move to the official opposition.

Mr Kwinter: I just want to pursue a situation. At the present time, about 80% of Ontarians have supplementary health insurance. Is that a correct number?

Mr Jim Witol: Between 70% and 80%.

Mr Kwinter: Of that number, how much is paid for by employers and how much is paid for by individuals? There are individuals who get supplementary plans, and they pay for that. What is the ratio?

Mr Witol: About 90% of the costs are paid by employers.

Mr Kwinter: The reason I'm asking that question, because it really illustrates your point, is that it is a tax on employment.

Mr Daniels: Sure it is.

Mr Kwinter: It isn't as if these people are going out and paying—if you're not working, very few people, relatively speaking, get supplementary health plans. Really, if it's part of their employment package, they have it; if it isn't, it isn't. So I agree with you. I think this tax is really a tax on employers, and it's not of benefit to the insurance companies, because that's money that would be forgone by the employee if they didn't have to pay it.

Interjections.

The Chair: Allow the gentleman to answer, please.

Mr Daniels: Well, only because—you've hit the nail on the head. Of course, what's happening with rising drug prices and rising supplementary costs and so forth is that prices of these services are going up. The benefits consultants, who are basically the intermediaries between the employers and the insurance companies, are trying hard to repackage benefits. You find that the prices are going up to the employers anyway, and on to this you whap an additional \$520 million worth of taxes. What it means is that you find shaving back; benefits are being shaved here and there. On the whole, I think it's moving in exactly the wrong direction, notwithstanding the very legitimate question Mr Christopherson asks: who's going to pay for it? What are you giving up?

Mr Kwinter: The auto insurance sector was in here the other day, and they showed a very dramatic increase in premiums, so dramatic that it's actually impacting on the rate of inflation.

Mr Daniels: Yes, it is.

Mr Kwinter: How does that relate to your industry? Are you having the same sort of thing occur, or is it not as great?

Mr Witol: It's not as great. There are portions of the overall bill that are going up that fast, such as prescription drugs, but there are other parts of the bill, dental and other things, that aren't growing as fast.

Mr Daniels: Autos and general insurance have had a particular set of issues in the last few years, indeed through a good part of the last decade, and have seen costs going up for a variety of reasons. We haven't experienced the same but, as Jim said, the one area where we're seeing double-digit increases is in the cost of pharmaceuticals.

The Chair: Thank you, Mr Daniels and Mr Witol. We appreciate your input today.

ADVOCACY CENTRE FOR TENANTS ONTARIO

The Chair: The next presenter is the Advocacy Centre for Tenants Ontario, if you would please come forward. I would ask that you please state your names

clearly for the purposes of Hansard. I think you are aware of the 20 minutes, including your presentation and questions. Welcome.

Ms Kathy Laird: Thank you. I'm Kathy Laird, legal director of the Advocacy Centre for Tenants Ontario. With me today are Mary Todorow, who is our researcher and policy analyst, and Jennifer Ramsey, who is our advocacy coordinator.

The Advocacy Centre for Tenants Ontario is a community legal clinic that's funded by Legal Aid Ontario to do test-case litigation and advocacy for low-income tenants and the homeless across Ontario. I want to highlight for the committee members today two housing issues that we believe must be addressed as priority areas for investment in the 2003 budget.

The first issue will be no surprise. It is the well-documented need for more affordable housing in Ontario. The Where's Home? Study, released in 1999 by the Ontario Non-Profit Housing Association and the Co-operative Housing Federation of Canada, estimated that the province was facing a rental housing deficit of 74,000 units at that time. This estimate was based on a CMHC report that indicated that between 12,000 and 20,000 new units would be needed annually between 1996 and 2001, and 20,000 units annually every year thereafter. The Centre for Urban and Community Studies at the University of Toronto estimated that 18,000 new units are needed a year. The numbers vary, but the picture is the same. There's a huge gap between the demand for and the supply of rental accommodation.

There has been little new accommodation built since the cancellation of Ontario's social housing program in 1995. In addition, the supply of existing rental units has been decreasing. Between 1991 and 2001, Ontario lost over 24,000 private rental units to demolition and conversion, resulting in a net loss of over 7,000 units. This means that, on average, Ontario is losing almost 50% more private rental housing than is being built each year.

The rental housing supply that remains is increasingly unaffordable. Average rents across Ontario rose by 26% between 1995 and 2002, outpacing the 15% increase in the consumer price index. In the Toronto CMA, where 44% of Ontario's tenants live, the average overall rent increase was 32% between 1995 and 2002. That's more than double the rate of inflation.

The dismal fact is that tenants are spending more and more of their income on rent and are cutting back on other necessities. We'll soon have the updated census information from 2001, but the figures from the last census show that almost one in four tenant households in Ontario is paying more than 50% of their income on housing. That's putting them at considerable risk of homelessness.

On average, renter households in Ontario have half the incomes of homeowner households. The after-tax median household income for Ontario renter households was \$23,000 in 1999. That's virtually unchanged from 15 years earlier. The gap between the median income of

homeowners and renters grew by 22% in the 15-year period between 1984 and 1999.

ACTO operates a tenant duty counsel program at all locations of the Ontario Rental Housing Tribunal across Ontario. Day in and day out through that program, we see tenant households ordered out of their housing on the basis of relatively low debts to their landlords. In 2001, landlords filed over 60,000 eviction applications. In those applications, the median rent owing was \$726. That's less than the monthly average rent, which was \$815. So it's a relatively small amount of money, and it's resulting in record numbers of evictions.

How can the province begin to turn around this bleak scenario? Only by a serious commitment to building new housing that will be affordable even to those with the lowest incomes. This can't be done without adequate funding, starting with full matching funding, new-dollar contributions to the full extent of the \$245 million available to this province under the federal-provincial affordable housing program. The Ontario Alternative Budget Working Group, which was here earlier, has indicated that \$49 million would cover the full provincial share of this program. Even if fully implemented, however, this would only generate 2,000 new units a year over five years, and that's much less than the numbers that CMHC has told us are needed. In addition, the rents for those new units won't be affordable to our clients, to low-income Ontarians who need it most, because "affordable" for the purpose of that program is defined as average CMHC market rents. And of course, there is no long-term guarantee of affordability in that program.

ACTO agrees with the recommendations made by the Ontario Alternative Budget Working Group and supported by the Housing and Homelessness Network in Ontario that other measures are also needed, and I'll set those out: first, a new unilateral Ontario-funded social housing supply program to provide capital subsidies for 13,000 new units annually. That would cost \$650 million. The province should reassume from municipalities the cost of financing existing social housing. The cost of that would be \$850 million. Third are rent supplements for 10,000 new units, at a cost of \$50 million. And finally, new rent supplements for 27,000 existing units, at a cost of \$136 million.

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Addressing the affordable housing crisis in Ontario is going to cost money. That's a fact, and the government's own housing supply working group in the fall of 2000 emphasized that in its report, stating, "no one—not the private sector, the government nor the non-profit sector—can build new housing which will be affordable to those with the lowest of incomes, unless significant subsidies are provided." Those are their words and of course they are no surprise to anyone who's been studying the rental housing market in Ontario for many decades.

I would ask the government and the committee to question whether we can all afford the growing social and economic costs associated with Ontario not having

anywhere near the adequate supply of affordable housing: rising evictions, homelessness, family breakdown and dislocation. Children are being raised in shelters and motel strips in this city and across the province. I want you to think about all the loss of productivity and potential as people's energies are drained just to keep a roof over their heads.

The second housing issue I want to address here today is the inadequacy of the shelter allowance component of social assistance, particularly for recipients of Ontario Works. The shelter allowance portion of welfare cheques has not changed since 1995, when Ontario cut welfare rates by 21%. Rents have increased dramatically since then, forcing welfare recipients to use the food portion of their cheques to pay for their rent.

Members of this committee may not be aware that 95% of Ontario Works recipients are tenants but only 18% of recipients live in subsidized housing. In other words, the vast majority of people on Ontario Works live in the private rental market. Currently, a single mother with two children who lives in Ontario receives a shelter allowance of \$554 a month. That's the maximum. You can compare this to the average rent in Toronto for a two-bedroom apartment, which is \$1,047, the highest average two-bedroom rent in the country. There is a dollar gap of \$493 between the maximum shelter allowance and the average rent. Back in 1994, before the welfare cuts, the shelter allowance for this same family was \$707 and the average rent for a two-bedroom apartment in the city was \$784. In other words, the dollar gap was only \$77 in 1994, compared to almost \$500 today.

What does the dollar gap mean to people who are on the receiving end? In the last few weeks we've been meeting with welfare mothers across the city and talking to welfare mothers in other parts of the province, and we've got a picture of what that is like. Mothers and children are living on after-rent incomes of \$100, \$200 or \$300 a month in many, many cases. That is all the money these mothers have for food, clothing, transit, school expenses and everything else. So I'm asking you to think about what life would be like for those mothers and children and to consider again the social costs of forcing thousands and thousands of families to live in this kind of really overwhelming poverty.

We're urging the committee and the government to move forward on the recommendations of the coroner's jury in the Kimberly Rogers inquest to increase welfare rates, both for Ontario Works and Ontario disability support program beneficiaries. We urge you to ensure that the benefits reflect the real cost of housing. The Ontario alternative budget working group has estimated the cost of this at \$850 million. That would bring the shelter allowance portion of the cheques up to a more appropriate level.

When the finance minister spoke to this committee on Monday, she reported that provincial tax revenues have increased by \$14 billion since 1995 and that this money has been used to reduce debt and to invest in priority programs that support prosperity and quality of life. The

minister also reported that Ontario's economy is growing at a rate faster than all of the G7 countries. As the finance minister said, budget preparation is about adjustment and reallocating to accommodate priorities. We strongly urge this committee and the government to make investment in housing a clear priority once again. Thank you.

The Chair: That concludes everything?

Ms Laird: Yes.

The Chair: We have about two minutes per caucus, and we begin with the government side.

Mr Sampson: I lost my colleagues, I see. Thanks very much for your presentation. The presenter before us was speaking about life insurance premiums and how they wanted us to roll back the tax on life insurance premiums and disability plans etc. My colleague across the floor said, "How you are going to pay for that?" Fair question, I guess. We've had numerous people come forward with some fairly good ideas on where we need to reinvest in social services and various programs. But the reality is that I need to ask that question I guess a little more often. I tried to see if we could get a summary of those requests. Where do we get the money? The Liberals have their education plan now that's going to spend tax cuts that don't exist. In reality, you're talking \$1.5 billion here.

Ms Laird: Maybe \$1.7 billion.

Mr Sampson: Actually, it's \$1.7 billion; sorry.

Ms Laird: We added it up. We thought that question would come up.

Mr Sampson: I hate to say this, but I think my tally is now up to \$20 billion in requests so far that have come before this panel.

Ms Laird: The minister has said there is \$14 billion in growth, you're planning \$3 billion in additional cuts—you could stop those right now—and you've taken \$14 billion out of your budget since 1995. I don't know; there's a lot of play there, and I think there's a lot of play when you have people dying on the streets, as was mentioned earlier.

Mr Sampson: I don't mean to downplay the seriousness of the issues you raise, as well as the seriousness of the issues other people have raised. But the reality is, for all intents and purposes, that the budget is balanced now. We keep hearing that from the finance minister, and that will be the plan going forward. There has to be some give in the system to put another \$1.7 billion—I thought it was \$1.5 billion—into those programs.

Ms Laird: According to the auditor's report, approximately 50% of the corporate taxes in this province have not been collected. So that might be one place to look.

Mr Sampson: Right.

The Chair: We move to the opposition.

Mr Kwinter: Of course, there have been several groups. As a matter of fact, I would say that the most dominant theme we've heard in these hearings is the lack of affordable housing. It would seem to me that for any government, regardless of their political ideology, their first responsibility, absolutely the first responsibility, is to make sure their citizens are housed. I don't think that just

applies to Ontario; it applies to any country in the world. The first thing you have to do is make sure your citizens have a place to live.

I think it's a really critical problem, and what we have now—you're talking about in the last decade there were 16,855 new private rental units built. Of those 16,000-odd rental units, how many were affordable?

Ms Laird: The city of Toronto stats were that—what?—35 units were affordable over the last year.

Ms Mary Todorow: I would say not very many. I can get those figures, if you would like.

Mr Kwinter: I just wanted you to confirm that in fact the rental units that are being built today—

Ms Laird: Are not affordable.

Mr Kwinter: Not only are they not affordable, but most of them are at the very high end of the market, because they want to attract people who want to rent only because they don't want to be bothered owning, for whatever reason—their lifestyle choice, whatever it is. They want to be able to live in good accommodation and they don't want to have any of the responsibilities of owning and that's it. So what you really have is no affordable housing being built.

Ms Todorow: That goes back to the fact that rental housing costs money to build, and now—we mentioned that. You'd have to have a subsidy. So the private rental units, because there is no social housing program, have to be at those higher rents. It's just an economic fact of life without government spending. It's a fact.

But I do want to point out that that building is going to stimulate economic growth. One of the big factors in economic growth in this country and in Ontario has been new home construction, and that's been mostly in the home ownership area, not rental housing.

Ms Laird: Those are good jobs for you. That could pump up the economy.

The Chair: We'll move to the third party.

Mr Christopherson: Thank you for your presentation. Just by way of preamble, to offer some other thoughts there, let's keep in mind too that so far we've had all the advocates, Mr O'Toole's so-called barking dogs, coming in and pointing out where the crisis is and where the need for new funding is. In this instance, unlike the previous presenter and other tax cutters, we haven't had the other side come in and say they support the tax cuts, but we have had the board of trade come in here and say that affordable housing is a fundamental part of the future of Toronto and every other major urban centre in the province. I really think there's a distinct difference between this issue and just coming in and asking for more tax cuts because you think you can get away with it

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The other thing, too, is that the government has to wear a lot of responsibility here. They're culpable. They're the ones who cut the income of the poorest of the poor by 22% back in 1995, and we've had a 15% increase in inflation since then. So those children are in deeper poverty at the same time the government's rich

friends are richer. That's the context for this issue. Not only that, but the federal government came along and, to their credit, showed some leadership and put up \$245 million; they offered that and said, "All you have to do is match it." Usually, governments love matching funding from senior levels of government. Why? Because you get a full buck for 50 cents. What did this government do? They put in a mere \$20 million. They put it in there just so they can say they actually did something, whereas other governments that are serious about housing are actually meeting their commitment and some of them are exceeding it, from what I understand, and topping up further with their own money.

My question to you is, based on all of that—and you pointed out clearly the increased gap between the shelter allowance and what it's actually costing people in the open market. Then you say, "I ask you to think about what life would be like for those mothers and their children." Paint that picture a bit. How are they surviving?

Ms Laird: One of the things we're finding, in talking to these women, is that their workers are saying, "How are you surviving? I think you must be cheating." How do you prove that you're not cheating? How many times can you go to the food bank in a week? It's been remarkable to us in talking to the women how many times they say, "My worker says I'm cheating. I don't even know how to cheat."

We've been talking to very young girls who got pregnant by mistake, we've been talking to new immigrants, we've been talking to older women who've had bad luck, whose husbands have walked out. We know the workers themselves can't figure out how they can do it, and they're accusing them of cheating. Whereas what they're doing is going to the food bank, every food bank, as often as they can. Sure, their mother comes over and brings them some food. That kind of thing happens. That's the way they're getting by. With the young mothers, we found that they were always—no one can rent an apartment in this city for \$500. At first we thought, when we talked to them, that we'd go and visit them and they would be living in horrible slums. Well, they're not living in great places, but they all are determined to spend their food money to make sure they have basic housing at \$700 or \$800 a month. That leaves them \$200 for food.

It broke our hearts time after time, and we weren't really prepared for what we were going to find when we started talking to women. The numbers are really startling, particularly in this city and in Ottawa, where rents are high, but right across the province. In rural districts it's the hydro, it's the heat, it's oil and it's having to have gas for a car to get out and get some food. So it's a dismal picture. The money that you spend on lunch is having to last someone else all month.

The Chair: Thank you, Ms Laird, and your organization. We appreciate your input.

ONTARIO ASSOCIATION OF NON-PROFIT HOMES AND SERVICES FOR SENIORS

The Chair: Our next group is the Ontario Association of Non-Profit Homes and Services for Seniors. I would ask that they please come forward.

While they're getting prepared, I would like to remind anyone in this room—members, public, media alike—that I don't want to hear any cell phones go off. If they do, you'll be removed from the room immediately.

Welcome, Madam. Please state your name for the purposes of Hansard. Go ahead; you have 20 minutes.

Ms Donna Rubin: I'm Donna Rubin. I'm the chief executive officer of the Ontario Association of Non-Profit Homes and Services for Seniors. Thank you very much for once again inviting OANHSS to speak to you about the very real issue of appropriate and adequate care for Ontario's seniors.

OANHSS, as many of you know, is a provincial association that has represented not-for-profit providers of long-term-care services and housing for seniors for over 80 years. Members, which include municipal and charitable homes for the aged, non-profit nursing homes, seniors' housing projects and community service agencies, operate over 25,000 long-term-care beds and close to 5,000 seniors' housing units.

I'm sure most of us in this room know someone who is living the reality of caring for, or finding care for, an aging parent, relative, friend or neighbour. This is no easy task. It is an emotionally difficult and draining experience for everyone involved. There is no shortage of research pointing to the guilt, stress, confusion and anxiety families and their elderly loved ones feel when it comes time to make decisions regarding care. At the very least, those going through this process should be able to take comfort in knowing that they will get the care they need.

Right now in Ontario this is not the case, but this can be fixed. The purpose of my presentation today is to leave you with our suggestions and recommendations for alleviating the funding crisis in long-term care to ensure that seniors in our province receive the care and services they deserve.

Looking specifically at long-term-care facilities—homes for the aged and nursing homes—funding has not kept pace with the changing needs of residents. The average age now is 86, compared with 73 two decades ago. Residents often have multiple chronic illnesses and require special care. More than half suffer from dementia and other mental health illnesses, and over three quarters require rehabilitation to maintain their level of functioning. The reality is that since 1993 the acuity levels in long-term-care facilities have risen by almost 20%.

Simply put, residents no longer walk in the door of our facilities as they did years ago. They are coming from hospitals, psychiatric facilities and crisis situations in the community. Intravenous treatments, gastric feeding tubes and oxygen are regular parts of the care that is given.

Residents suffering from dementia require a high staff ratio to meet their very complex and challenging needs. This is not reflected in the funding facilities receive to the extent that these people deserve, but to their credit, the staff in our homes do a remarkable job in difficult circumstances.

You are no doubt familiar with the level-of-service study, commissioned by the Ministry of Health and Long-Term Care, which found that Ontario ranked dead last out of 10 jurisdictions in meeting the needs of long-term-care residents. Conducted in 2001 by PricewaterhouseCoopers, the study concluded that residents in Ontario receive the least amount of nursing and therapy services. This is very damning evidence of the crisis in our sector.

In his 2002 annual report, the Provincial Auditor included the level-of-service study in his review of long-term care. He stated that they had found no evidence to indicate that the ministry had addressed the results, and he outlined recommendations for ensuring that, "the funding provided to long-term-care facilities is sufficient to provide the level of care required by residents and that the assessed needs of residents are being met."

Last summer's announcement of \$100 million in new operating funding for facilities was a much-needed infusion and a very good first step in addressing the funding shortfalls that have plagued our sector for years. We fear, however, that the perception at Queen's Park is that long-term care is now OK. Things are not OK, not by a long shot.

Long-term care remains underfunded by \$430 million a year. I'll make mention here that you may have heard of other figures slightly higher. We're basing this on 63,000 beds in the system, not on 77,000 coming in the future. What is needed is an \$18-per-day increase, from \$70 to \$88, in the government's share of the per diem for each long-term-care resident. This is in keeping with our long-standing request for a \$25 per diem increase. The \$100 million investment represents \$7 of the \$25. A further \$18 is desperately needed. We recommend that this be spread over two years with an investment of \$215 million, or \$9.35 per resident, in the upcoming fiscal year and then the same in 2004-05.

This funding will make a very real difference in the lives of residents. More dollars will mean trained staff who understand the struggles of someone living with dementia. More dollars will mean that residents who can benefit from therapy can get it. More dollars will mean residents get more than 15 minutes of care a day from a registered nurse. More dollars will mean that staff have the time to give people more than the briefest attention.

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Let me share with you some startling realities. On average there is one registered nurse looking after up to 100 residents—that is on the night shift—and we have heard as high as 200. Despite the enormous number of residents with dementia and behavioural problems, fewer than 6% receive any professional intervention, and only 10% of the residents with the potential to benefit from

rehabilitation actually receive any physical therapy. And isn't it a sad day when a member of the Legislature feels it necessary to introduce a motion to ensure that residents receive a minimum of at least a bath a week?

But perhaps the most telling example of the need for increased funding and something we can all relate to is the food allowance. Facilities are expected to feed residents on a budget of \$4.49 a day, and this amount has increased by only 23 cents, or 5.4%, since 1993. Put aside for a moment the fact that for three meals a day plus snacks, this is unconscionable, and consider that for this paltry amount providers are expected to produce ground, minced and pureed versions of each meal and numerous special diets such as diabetic, weight loss, weight gain, lactose-intolerant, wheat-free, reduced salt, and on and on. They must also offer a second choice for each meal and each diet. And after all is said and done, the hope is that the meal is enjoyable for the resident, because for many, eating is quite simply the highlight of the day. I challenge any of us to feed our families on \$4.49 a day.

A financial crisis of another sort has had a slow and insidious impact on homes for the aged. Funding for long-term-care facilities is not equitable. A succession of government policy decisions has created funding inequity within the sector. Our analysis has revealed that nursing homes receive on average 10% more government subsidies through supplemental funding initiatives than the typical charitable home for the aged. The estimated additional amount going to nursing homes can be as high as \$6 per resident per day, which represents about \$70 million a year.

The provider associations—OANHSS, the Ontario Long Term Care Association and the Association of Municipalities of Ontario—have come together and have reached agreement on a solution which we presented to the government in December. We are anxiously awaiting a response, and it is our assumption that it will be through the budget that this will be alleviated.

It is critical that the province take immediate steps to rectify this inequity and level the playing field to ensure that residents are funded at the same level of care regardless of which type of facility they live in.

Long-term-care facilities are but one part of an entire network of services for seniors in Ontario, all of which are sagging under the weight of an aging population that has increasingly more complex care and service needs. Substantial investments are needed at all points along the continuum: home care, community services, supportive housing and facility care. The effectiveness of any one of these components is dependent upon the strength of the system as a whole.

We urge the government to make good on its 1998 commitment of \$551.8 million for home and community care, which includes important services such as home-making, respite care, adult day programs, visiting health services, meal programs, supportive housing and others. Based on a recent calculation, there is \$257 million that has not yet been allocated. This is money that is

desperately needed by a sector that, if properly funded, will go a long way in taking the pressure off more costly components of the health sector.

In conclusion, it has been said by some that long-term care is the Cinderella of the health sector. We work hard to provide care, but we do not have adequate resources. This can and should be fixed.

In summary, our recommendations are:

(1) An \$18 increase in the per diem paid by the province to address the \$430-million funding shortfall and bring long-term-care facilities to more appropriate levels of care and services. We recommend \$215 million, or \$9.35 per resident, in 2003-04 and a further \$215 million in the following fiscal year.

(2) Implement the recommendations from the provider associations to address funding inequities. Funding for long-term-care facilities needs to be equalized to ensure a level playing field for providers and consumers.

(3) Address the significant underfunding of the community sector by flowing the \$257 million remaining in the government's 1998 commitment of \$551.8 million for home and community care—\$170 million in 2003-04 and the balance in 2004-05.

Achievement of these recommendations will ensure that the entire network of services for seniors in Ontario remains healthy and sustainable. We urge you to take this message forward when you are advising the Legislature.

The Chair: We have about a minute for each caucus. We begin with the official opposition.

Mr Kwinter: Thank you, Ms Rubin. It's nice to see you again. We have discussed this issue, if you recall.

Ms Rubin: Yes, we have.

Mr Kwinter: Last summer's injection of \$100 million: is that \$100 million a year or is that one-time?

Ms Rubin: It went into the base, so it's not one-time. It will continue to be there this upcoming year.

Mr Kwinter: Even including that \$100 million, you're still short about 400-and-some-odd million a year?

Ms Rubin: Yes, because that \$100 million represented \$7 per person per day more, and we've been saying for years that you need about \$25 a day. We estimated that on a full complement of beds. The number is not insignificant. A couple of years ago we were saying over \$500 million. So \$100 million got us a good first step but there's still such a gap left.

The Chair: We move to the third party.

Mr Christopherson: Thank you for your presentation. On page 3 you mention that it's a sad day when a member of the Legislature feels it necessary to introduce a motion to ensure residents receive a minimum of at least one bath a week. I'd like to give you a chance to advise the committee, in case there is anybody who doesn't know, why that was necessary.

Ms Rubin: Certainly the resources in our facilities require that, to typically bathe every resident in a 100- or 160-bed home, it may take upwards of a week to do that. You have to put people into special equipment, you need two individuals sometimes to lower people into a tub, and it takes resourcing to do that. We would hope to say

that you could get at least a bath a week in any of our homes. Some homes can't deliver even on that. We think if people want to have a bath a week, they should have the right to have that. I'd like to be able to say people should be able to have a bath every day if they would like one, because that's the standard I live by, and we can't provide that right now.

Mr Christopherson: The other reason, of course, is that the legislation in the Nursing Homes Act used to say that they had to provide one once a week. That has been removed, and the minister's answer to "How could you do that?" was, "Well, they could give more if they want." But they removed the bare minimum that guarantees a citizen at least the dignity of one bath a week. That's no longer guaranteed by law. It was.

If I have a moment—

The Chair: You have seconds.

Mr Christopherson: The \$257 million they promised came from a commitment in 1998. That's money they committed but it still hasn't been spent.

Ms Rubin: That's right.

Mr Christopherson: Did it go to other services for these seniors?

Ms Rubin: No. By our figures, that's still money that is owing on that promise.

The Chair: We move to the government side.

Mr R. Gary Stewart (Peterborough): I'm very interested in your presentation, because one of these days I assume I'll become a senior.

Mr O'Toole: You are.

Mr Stewart: No, not yet.

Ms Rubin: Eighty-six is the average age in our homes.

Mr Stewart: Oh, I'm getting close.

Do you feel a means test should be done for seniors going into nursing homes?

Ms Rubin: Income testing?

Mr Stewart: A means test.

Ms Rubin: No, we don't.

1400

Mr Stewart: Can you explain to me why people don't mind paying rather large dollars to go into retirement residences where you get some care yet they go into a nursing home and they don't want to pay?

Ms Rubin: Well, they are paying, sir, a copayment.

Mr Stewart: I know, but they don't pay the dollars that are going to be paid in the other places.

The other question is that you're suggesting that Ontario is dead last out of 10 jurisdictions. If you look at it in Canada, where are we in Ontario, in comparison with the other provinces, as far as costs to the resident? Where I'm coming from is, many of the residents coming into nursing homes over the next few years are on pensions and many of them have good investments etc, not like the ones over the last three or four years who are having difficulty now. Where are we on that stand?

Ms Rubin: In terms of our copayment, it varies across the province, but our per diems are among the lowest in the country. I would suggest that from our perspective,

long-term care is health care now. Yes, people are paying a portion for what's deemed to be accommodation. We speak to a lot of people, particularly couples, where they have a home and there is an individual now in long-term care, and there is already hardship in terms of cost. We see the need for people to take some responsibility and pay part of it, but it is now getting very close to any other part of health care.

Mr Stewart: But some of them have some very large investments and properties—

The Chair: Thank you, Ms Rubin. That concludes your time. We appreciate it.

CITY OF TORONTO

The Chair: Our next presenter is the city of Toronto, I believe represented by Councillor Chow. Welcome, Councillor. We'd ask that you clearly state your name, for the purposes of Hansard. You have 20 minutes for your presentation, including any time left over for questions.

Ms Olivia Chow: I'm Olivia Chow, city councillor and also the city of Toronto children and youth advocate. I'm here to talk about \$113 million. I'm here to ask specifically what you're doing with the 113 million federal dollars that was transferred to your government through the federal early childhood development initiative funds. Your minister said very specifically that there is \$113 million of unallocated funds.

Let me give you an example of what children in Toronto are going through, and Toronto is not alone. I want to stress the point that I'm also a member of AMO, the Association of Municipalities of Ontario. When I raised the issue of children and the care of children, and child care specifically, I heard from different councillors and mayors across Ontario. They said to me that in order to wait for child care, you need to make sure that while you're pregnant, before your baby is born, put your name on to some kind of waiting list, because it's going to take a long time to get any child care services.

So let me give you an example of what's happening in Toronto. We have 45,000 children participating in wonderful child care regulated by your ministry and ourselves. More than 22,000 receive subsidized care every year. We know that it works. It's accessible, it's high-quality, it's licensed. It helps families work. They can study. It fights child poverty. In 1997, you said to us, "Hey, municipalities, provide and manage and help fund this child care." We said, "OK, we'll do that," except what has happened is that the Ontario government has not kept its part—your part—of the bargain. Because of that, child care systems across Ontario, and especially in Toronto, are at serious risk. You have cut our annual base funding in Toronto child care programs by \$11.8 million, and the downloading caused us lots of problems. Let me list the problems.

For some reason, you have not recognized that there is inflation, so your per diem rates have not gone up. I don't know why you don't understand there is inflation. There

is inflation. As a result, at the centres, whether it's the rent, the telephone bill or hydro costs, everything is going up, but the funding for them has not. You haven't expanded any child care spaces since 1997, and 1,616 subsidized spaces in Toronto alone have been lost since the beginning of 2002. In Toronto alone, the waiting lists grow by 500 per month, so 500 kids per month are actually waiting for child care—new kids coming in, OK? And you're in the middle of cutting 200 child care spaces through the Ontario Works initiative. While there is 500-per-month growth, you're cutting 200. If you continue this way, another 500 spaces are going to be cut.

And there are all the problems of new provincial standards for playgrounds. You won't cost-share the playgrounds. You have new standards; who's going to pay for these playgrounds? I don't know; we can only have so many bake sales. Repairs, maintenance, retrofits of the child care centres: again, who is going to do that? More bake sales, I guess. Because of that, centres are facing closure if we don't do something right now. We are in a desperate situation.

As I said, there is funding in front of you. You do have \$113 million. The federal government launched, in the year 2000, a five-year program: \$2.2 billion. The first year is \$300 million, the second is \$400 million, and this is the third year, \$500 million. Starting on April 1, you're getting another instalment of \$153 million. I ask you, what are you doing with this money? It comes directly to you, and your share of these funds, of the entire \$2.2 billion, is \$880 million, and yet you have something called ABC: anything but child care policy. You have not explained to us why that is the case. We want you to invest somehow the federal dollars—not provincial dollars; federal dollars—to benefit children. We desperately need it at this point.

Your own government, your former Premier, Mike Harris, appointed the Honourable Margaret McCain and Dr Fraser Mustard. In their report they said very clearly that you have to invest in children, and one part of that is early learning and child care. In fact, I was with the Honourable Margaret McCain this morning. We were at an event. We were joined by several other people; allow me to tell you who they were. They included Charlie Coffey, who is the executive vice-president of RBC Finance Group, the president of General Motors of Canada, and CAW president Buzz Hargrove. We were joined also by the Atkinson Charitable Foundation and the two co-chairs of the Toronto District School Board, Donna Cansfield and Shelley Carroll. We came together to say that we have a model for you, that investing in child care and early learning opportunities, especially if they are in a school, if they are supported by your government and the federal government, is a really good investment. We have a model and we want you to seriously look at that.

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We are in fact saying to the federal government that if the federal government is to develop a national child care plan, we want to have strings attached so that the funds

would be accountable and that they would be used in a way that is beneficial to our kids. We presented a model called Toronto First Duty. If you're interested, I can give you some details of this model, but the core of this model really is child care. We built support services, and whether it's the toy library or whether it is the drop-in centre or kindergarten, we've developed all that around it. That is one of the things we are proposing. We are also proposing that you integrate the Early Years Centres that you're establishing into the existing child care centres and the family resource centres so that there is a comprehensive early learning and care service for children and their families.

Third, we are asking you to immediately allocate the \$18.6 million, which is our share of the federal dollars that were transferred to you, to stabilize the child care system so we do not have to cut 1,800 child care spaces from the system this year. In fact, Toronto property taxpayers and the entire council are saying that if you pay your 80%, we will cost-share every step of the way. We have put aside \$3 million. If you put in your \$12 million, we'll put in our \$3 million and we will have 2,000 spaces. Any time you want to do that, we're there with you. Some \$7.9 million would stabilize the service level and protect against future erosions, and \$10.7 million would restore lost spaces. It would also be helpful if you had an annual increase of \$12.3 million to fund long-term expansion and development.

Something quite absurd is happening. There are empty spots in the child care centres in Toronto. Kids tomorrow, if we give them subsidies—and their families—would be able to take that service. They can't because they don't have the subsidies that are needed.

If you're able to increase funding, we would be able to protect the existing child care system, we can restore the spaces that are being lost, we can invest in minor capital funding, we wouldn't have to worry about playgrounds being safe or not safe and we can meet demands. In fact more families can go back to work and your Ontario Works numbers would be even better because there will be fewer people on social assistance. So we all win, and we all know that. Your economists tell you that for that dollar you invest, you get \$4 back, because investing in children, according to Dr Fraser Mustard and your expert the Honourable Margaret McCain, is a good investment, is good for the future, is good for families in Ontario. So I hope that you make the right decisions and recommend that a big portion of the \$113 million of unallocated federal dollars be spent on affordable licensed child care services for the kids in Ontario.

The Chair: Thank you, Ms Chow. That leaves us just a little bit over a minute each. We begin with the NDP.

Mr Christopherson: Welcome, Olivia. Congratulations, first of all, on the win on the weekend. I just wanted to first of all point out that the current government was—I don't know if it still exists or not, but it certainly was home to a unique group and gathering known as the family values caucus. It's interesting how they define what family values are. What we've seen so

far, in addition to the issues you've raised—very similar to that is that the child care benefit that the federal government provides to families with children on social assistance is clawed back dollar for dollar from what they receive from the provincial government. The millennium fund, which is for students to go into post-secondary education when they don't have the funds and need loans, is deducted from money available from the provincial government, so the gain isn't there for them. There's \$245 million that the federal government was, again, prepared to put up for affordable housing and only asked the government to match it. So it would have been 50-cent dollars, which as you know are hard to come by in this day and age; they put in a mere \$20 million. Now you're underscoring the early childhood development initiative where, again, the money has been flowed from the federal government to the province, and the money sits there.

You really have to ask yourself where the family values are in denying money to children in poverty on social assistance, students who want to go to school but don't have rich parents, families that need a decent home to live in but the government says no to federal money and now direct funding for child care. Having said all of that, my question to you is this: what will the status be for children in terms of child care services in Toronto, say, five years hence if they don't do something?

Ms Chow: I think some of the centres will collapse. We now have fewer kids using our child care services than we had in 1992. It's the lowest number in a decade. We're not even asking the provincial government to cost-share the federal dollars. That would be ideal. If they want to do like Quebec, \$5 a day, wonderful. We're not even asking you to be part of the solution; we're just saying don't be part of the problem, because right now you're part of the problem. The money has been pocketed, \$113 million. Flow it to the kids who are on the waiting list, who are waiting and waiting and grow up before they even get care.

In some ways some of the families, because there's no choice, go and buy a teddy bear and put a videocam in it to make sure the babysitter is not doing the wrong thing. Maybe that's a form of child care.

The Chair: We move to the government side.

Mr O'Toole: Olivia, you've had a very busy media month or more. Congratulations on the weekend. You spoke very well for Jack on the CBC. I'd like to see you take a run for mayor. I'm quite serious. You're on a roll here. That's not exactly the topic, but it may explain why you're here today. Who knows?

Mr Christopherson: Give her the money.

Ms Chow: I'll go away and—

Mr O'Toole: That's really not the point—I'll just try and respond to a couple of very serious questions you raised. I think there are two or three of them here. The province does spend considerable money. Most of the federal transfers, as you know, are spent directly on children's programs, and the pressures, as you might know, are onerous. It would probably be best to start with

the Quebec plan, the \$5-a-day thing. Have you looked into that at all? How successful is it?

Ms Chow: Very much so. It's so successful. It's so popular. Expanding it—

Mr O'Toole: It's absolutely dismal. You should look into it. There was a report on it. It's in complete disarray. I think the program will be cancelled. I think the Liberal plan is a copy of it, but you'll probably hear it from Mr Phillips.

Ms Chow: But I notice they got re-elected because of that program in the last provincial election.

Mr O'Toole: I understand your argument for regulated daycare.

The Chair: Would you let Ms Chow answer the question.

Mr O'Toole: I clearly understand that, and I'm sort of clarifying. The Ontario Works numbers—you had three points here. Actually, the number of people on welfare is down, the numbers are down, so the number of people taking advantage of Ontario Works is down.

The money we're spending from the federal government—I'm going to list it, with your indulgence: \$20 million for autism; \$5 million for infant development; \$12.8 million for children's mental health; \$4 million for learning, earning and parenting; \$46.6 million for Ontario Early Years Centres; \$5 million for early literacy; \$15.4 million for the Early Years challenge fund; \$4.6 million for program effectiveness measures and child outcome measurements as well. There are a number of programs as well, like the Healthy Babies initiative—

The Chair: Not quickly enough, sir. That constitutes your time, Mr O'Toole. Thank you very much. I'm sorry.

Ms Chow: A 30-second answer?

The Chair: Did you wish to make a quick comment before we move to the Liberals?

Ms Chow: Yes. If you use my calculator and add it all up, it's \$153 million that you just added up. You got \$266.8 million for 2001-02. If you subtract \$266.8 million from the list that you added up—

Mr O'Toole: You get—

Ms Chow: —you have \$130 million that you haven't used.

The Chair: Thank you very much. We'll move to the Liberal caucus.

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Mr Kwinter: Thank you very much for your presentation. I don't think there's any question: Dr Mustard and Ms McCain have said from the beginning that one of the most critical components of a child's development is those early years. It has to be more than just warehousing these kids somewhere; there's got to be some meaningful child care. Can you explain why this money that has been provided by the federal government has not been allocated?

Mr O'Toole: It has been.

Mr Kwinter: He says it has; you're saying it hasn't.

Ms Chow: You do your math. That's a very good question. We're not alone in asking. We're joined by all sorts of people. The Royal Bank knows how to do its

math, I think; they have come to you also. The city of Toronto has done a commission on children. We had Charlie Coffey as the commissioner and the Honourable Margaret McCain as the second commissioner. Together they said to this government that it is critically important that we make sure parents have a choice, whether to stay home or to go to work, and if they go to work they need family resource centres and child care services. Ontario has a proud history of having really good child care services. Look at some of the schools. You have these amazing child care centres in the schools that are perfect. We just need more of them. We need to make sure they're comprehensive, they're good quality. We know what the solution is, and somehow maybe ideologically—as I said, ABC is pretty dominant, and I do hope we can get over that and understand that 70% of mothers work and they need support from the government.

The Chair: Thank you, Ms Chow. We appreciate your contribution here today.

SOCIETY OF MANAGEMENT ACCOUNTANTS OF ONTARIO

The Chair: Our next presenter is the Society of Management Accountants of Ontario. Please step forward. Please state your name for the purposes of Hansard. You have 20 minutes. If any time is left over from your presentation, we'll try to squeeze in questions and answers as best we can.

Mr David Hipgrave: Thank you very much, Mr Chair. My name is David Hipgrave, and I am the president and CEO of the Society of Management Accountants of Ontario, also known as CMA Ontario.

I am pleased to be here today to participate in the committee's pre-budget consultation process. We also appreciated the opportunity that was given to us earlier this week to participate in the Minister of Finance's pre-budget stakeholder roundtable discussions. We hope our contribution to your deliberations will be valuable as you prepare advice for the government in advance of the 2003 budget.

Let me just take a moment to give you an overview of my presentation today. I'll spend the first few moments giving you some background on our organization and then highlight four key areas and our recommendations that we believe are important for the provincial government to be aware of and address in the 2003 budget to improve Ontario's long-term economic performance. These include: completing public accounting reform; improving corporate board governance, performance and transparency; addressing the nationwide small business management deficit; and establishing a management training partnership between CMA Ontario and the Ontario government.

We have prepared a package of information, including a copy of these remarks, and I believe those have been circulated to you. I'd be pleased to answer any questions following my remarks.

The Society of Management Accountants of Ontario, or CMA Ontario, is the self-governing professional association responsible for the accreditation, regulation and continuing professional education of certified management accountants in Ontario. We currently have 15,000 certified members and 3,500 candidates in the province. We are an integral part of CMA Canada, which has 43,000 members across Canada and around the world.

We are the only organization in the province specifically dedicated to furthering the development of management accounting practice, and we grant exclusive rights to the CMA designation. We are recognized leaders in management accounting in Ontario and around the world. Our management accounting guidelines are recognized internationally, and our education, examination, practical experience, practice inspection and disciplinary standards are second to none.

CMAs are financial and strategic management professionals who combine financial expertise with professional management skills to provide leadership, innovation and an integrating perspective to organizational decision-making. Our members are found in senior positions in every sector of the economy, including manufacturing, financial services, retail, communications, utilities, consulting and indeed in government.

I'd like to outline the four key areas and recommendations that we would like to see addressed in the 2003 budget.

The first is public accounting reform. Last December, the Ontario Legislature passed framework legislation that served to modernize and strengthen the governance of public accounting in Ontario under the Public Accountancy Act. We applaud the government's decision to proceed with public accounting reform in Ontario through this legislation. As one of three professional accounting bodies in the province, CMA Ontario is pleased to be involved in the development of new, rigorous accounting standards that are internationally respected and reflect the high expectations of the business community, investors and our trading partners.

Yesterday, we had the opportunity to meet with Professor Ron Daniels, dean of the faculty of law at the University of Toronto, who was appointed by the government to coordinate consultations and make recommendations on establishing a more modern, effective and transparent public accounting licensing regime in the province. We shared with him our standards, guidelines and procedures for ensuring that our members are highly qualified to perform all aspects of their work.

In our view, the reform of Ontario's public accounting system is a provincial budgetary matter in the sense that its completion is essential to ensuring confidence among investors, business and the general public in Ontario's economy, given the perception created by recent international corporate failures.

To address this perception, it is crucial that Ontario's public accounting system be transparent and that it contain strict rules governing both standards and

licensing, including a requalification process to ensure that licensees maintain the highest levels of competency and expertise. Our message to Dean Daniels yesterday reflected our commitment to working with the government, the other two professional accounting bodies and stakeholders to make this new regime a reality in Ontario.

CMA Ontario believes that protection of the public interest should be paramount in public accounting reform. We are committed to working with the Attorney General of Ontario to ensure that rigorous standards govern the broadened access to and practice of public accounting in this province.

The second area we would like to address is that of corporate governance. Improving the performance of senior managers and corporate boards of directors is an area in which the CMA profession is very active. In 2002, CMA Canada published a guideline entitled *Measuring and Improving the Performance of Corporate Boards* to advance the fields of both corporate governance and strategic performance measurement. The guideline clearly defines the roles and responsibilities of corporate boards, identifies elements of superior board performance and outlines approaches for monitoring and evaluating corporate board and senior management outputs and outcomes.

According to the guideline, organizations can improve corporate governance in several ways: establishing processes to ensure boards are getting the right strategic performance information to determine whether the corporation is on track to meet the expectations of stakeholders and shareholders; improving the quality of information provided to boards, such as information about alternative strategies considered by management, as well as best-, worst- and most-likely case scenarios that will enable boards to independently assess the level of risk involved; expanding the skills and knowledge of board members to encompass financial literacy, strategic formulation and a strong understanding of the company they are directing and the industry in which it operates; developing education and training programs for board members to ensure they have the required skills and knowledge to assess strategic performance; establishing screening and selection processes for potential board members to consider broader competencies; and ensuring that compensation for board members is commensurate with their responsibilities and workload.

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As a framework for improving the measurement and performance of corporate boards, CMA Canada's guideline represents an important step in the process of moving a corporation toward improved accountability. The framework's principles can be applied to all organizations in the not-for-profit sector and, indeed, in government. By improving the performance of boards in all sectors, public trust, investor confidence and the overall effectiveness of organizations will be enhanced. CMA Ontario encourages the Ontario government to review our management accounting guideline and con-

sider options for disseminating it and integrating it into government departments, agencies, boards and commissions.

Thirdly, CMA Ontario believes that a management deficit exists in the small to medium enterprise sector across Canada, including Ontario. Evidence of the deficit can be found in a number of recent studies conducted on the sector in Canada, including the following: a 1999 Statistics Canada study into the failure rates of businesses in Canada concluded that the probability of failure for a new business venture was 23% in the first year of operation, 40% in the second year and 75% by their eighth year of operation. As well, small businesses fail more often than medium and large organizations, in part because medium- and large-sized businesses have better human and financial resources and can more easily manage their growth in the competitive marketplace.

In January 2000, Professor Michael Porter published *Canadian Competitiveness: Nine Years after the Crossroads*, an update of his 1991 study, *Canada at the Crossroads*. He found that the government has done a good job in addressing the macroeconomic needs of the Canadian economy. However, the same cannot be said for the microeconomic business climate, which remains in need of significant government attention if Canada's productivity and innovation levels are to rise to the level of the US, which has led the G7 throughout the past decade.

A 2000 survey of its members by the Canadian Manufacturers and Exporters identified management skills as their single greatest need, before IT and engineering skills. A survey in the summer of 2000 of our own members working for or with small businesses rated small business management skills as the greatest business deficiency and identified the lack of business management acumen as the primary cause of poor business performance and a prominent factor in business failures.

Finally, a recently released report entitled *The Path to Prosperity: Canada's Small- and Medium-sized Enterprises*, prepared by the RBC Financial Group, Canadian Manufacturers and Exporters and the Canadian Federation of Independent Business, recommended that a priority be placed on providing SME managers with increased value-added business information and that SMEs be encouraged to take advantage of new technologies and improve their performance.

The SME sector is important to Ontario's economy. The Ontario government provides a number of programs and services to promote growth and success in this sector, including small business enterprise centres and business advisory services. However, the ongoing management ability of small business leaders and their business teams remains a concern to CMA Ontario and small business leaders themselves. While we recognize that SME managers are ultimately responsible for equipping themselves with management skills, given the sector's importance to the Ontario economy, we believe that the government can build on its current initiatives to bring further benefits to the province. CMA Ontario is

offering to work with the Ontario government to review the current SME environment in Ontario and to develop incentives to provide and improve the business proficiency and skills development of Ontario SME managers.

In a recent submission to the House of Commons standing committee on finance, CMA Canada recommended that the federal government provide tax incentives to SME managers to help them access consulting services; invest in the education of their employees; acquire computer, manufacturing and processing equipment; and keep capital in the SME sector.

The last area we would like to address today involves the development and implementation of a management training partnership between CMA Ontario and the Ontario government in an effort to improve government decision-making performance. Enhancing performance management and resource allocation decisions are core competencies of the certified management accountant. Accordingly, CMA Ontario is uniquely qualified to work with the Ontario government to develop and deliver customized training in financial and strategic management for middle and senior managers in the Ontario public service. We are interested in developing a training partnership with the Ontario government to help it hone the financial and strategic management skills of its middle and senior management group and improve overall performance.

In summary, on behalf of the members of CMA Ontario and the management accounting profession, I appreciate the opportunity to be here today to give you an insight into our organization, our profession and the issues that we would like to see the government consider as the 2003 budget is prepared. In acting on these recommendations, we believe that the government will help restore public trust and investor confidence in Ontario's economy and enhance the quality of its SME sector and government decision-making.

The Chair: Thank you, Mr Hipgrave. That leaves just about a minute for each caucus. We begin with the government.

Mr Sampson: Thank you very much for your presentation. I'll just focus my comments on one thing, and that's the accounting rule changes that have been brought forward. It was not an easy decision to make. There were different perspectives, you can understand, but I always hearken back to the comments I got from many of my constituents when I sort of polled them on what they thought about this issue. They really didn't understand the difference between the various accounting designations. They see an accountant as an accountant as an accountant and couldn't understand what the difference was, if there was one, and why there should be one. I think—

The Chair: Quickly, sir.

Mr Sampson: —that to the extent your discussions with Mr Daniels can help clarify that, the better, because those are your customers.

Mr Hipgrave: Thank you.

The Chair: No response? Then we move to the official opposition.

Mr Gerry Phillips (Scarborough-Agincourt): Again, only having limited time here, on improving board governance and your advice to us on government boards and agency governance, you don't mention conflict of interest. I'll give you one specific example where a former government minister is on the board of directors of the 407 corporation, and that's SNC-Lavalin; nothing wrong with that. He's paid a \$100,000-a-year retainer to be on SNC-Lavalin's board; nothing wrong with that. But the government's appointed him to be the vice-chair of GO Transit. So you have this individual who's on the board of the 407 and SNC-Lavalin. SNC-Lavalin owns a big chunk of the 407. SNC-Lavalin is one of the Union Station consortium—

The Chair: Question, sir?

Mr Phillips: —and a Union Station major tenant is GO Transit. Is that the sort of thing we should be looking at to improve the conflict-of-interest guidelines on boards and agencies?

Mr Hipgrave: I think that conflict-of-interest guidelines are things that should be certainly reviewed. I believe that in the document we have submitted there are, not certain situations where there may be specific conflicts of interest, but certainly there are guidelines for setting up boards themselves and committees of boards. It does talk to some extent about some of the principles in that document. So I think there are general guidelines that are referred to in there, and it also makes reference to the Sarbanes-Oxley Act in the US, which is very much a part of those kinds of issues.

The Chair: Thank you, sir. We move to the third party.

Mr Christopherson: Thank you for your presentation. Very simply, on page 12 you talk about one of the incentives that you want to offer to small business operators: how to improve their management skills. I'm just curious: what kind of training do you provide for what skills?

Mr Hipgrave: General management training, decision-making skills, financial analysis skills, resource allocation decisions—how you make those decisions, what's involved in making those decisions, the elements that contribute to those decisions, skills in all the functional areas of management and how you use those in coming to decisions. So for all of those things we have training programs that we can impart to managers and provide either through direct one-on-one training or through Web site facilities or capabilities.

The Chair: Thank you, Mr Hipgrave. We appreciate your presentation today.

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CAMPAIGN AGAINST CHILD POVERTY

The Chair: Our next group is the Campaign Against Child Poverty. Please come forward. I remind you that there's a 20-minute time frame and any time left over

will be for questions. I think you've been here before, and I know you know the story. I would ask you to please state your names for the purpose of Hansard. Welcome.

Ms Jacquie Maund: Good afternoon. My name is Jacquie Maund, and I'm the coordinator with the Campaign Against Child Poverty.

Mr Gerald Vandezande: Gerald Vandezande. I'm a volunteer spokesperson for the Campaign Against Child Poverty.

Mr Walter Pitman: Walter Pitman. I'm the same.

Ms Maund: I don't know if you have copies of our presentation. It's on green paper so that it may stand out.

Just to introduce briefly our organization, we are a national non-partisan coalition of citizens from faith groups, social justice groups, charities, child welfare organizations, business and professional organizations, and we come together to assist governments in a clear commitment to end child poverty. As you may recall, in 1989 the federal government committed to end child poverty in Canada by the year 2000. That was an all-party resolution and that was part of the impetus for this group coming together, to see that that goal is met.

We often do public messages in newspapers, and on the last page of your package you will see one that we did recently, speaking to the federal government and raising a number of promises that we feel should be moved on in order to commit to this goal of reducing child poverty.

I'll move right into our recommendations, if I may. Earlier this week, Minister Ecker spoke, and we read her speech and learned that indeed the economic growth rate is extremely strong. Apparently it's more than the 3.5% indicated in this presentation. Ontario's economy is growing more rapidly than any G7 nation, with a low unemployment rate and a fiscal surplus predicted for 2001-02. What the minister didn't talk about and what does not appear on the Ministry of Finance Web site are other images and information, statistics and facts about the other side. One would think that this is purely a very robust economic growth. But there are other statistics we're aware of that speak to the real-life experiences of many of our supporters, and I'd like to just briefly speak to some of those.

The latest statistics indicate that in 2000 there were over 390,000 children in Ontario who were growing up below the Statistics Canada poverty line. Many of those were living far below the poverty line. On average, two-parent families needed an additional \$10,500 per year just to bring them up to the poverty line. Even among working families, the most recent data from 1999 indicate that over 205,000 children lived in families where their parents were working full-time but they still lived below the Stats Canada poverty line.

In terms of income security issues, one that we're highly concerned about is the clawback, the fact that the Ontario government claws back the national child benefit from families on social assistance. This means that on average those families lose \$1,250 a year because of the decision of the current Ontario government.

The minimum wage has not been increased since 1995, so if in fact one is working at minimum wage full-time, one is living below the poverty line.

I know you've had earlier presentations that have talked a lot about housing issues. One statistic I wanted to point out is that the province loses almost 50% more rental housing than is created each year.

Food banks: I don't know if you've had a presentation from the Ontario Association of Food Banks, but from their last report in March last year, about 295,000 people were served by Ontario food banks. About 41% of that number were children. In fact, their research has indicated that overall about 5% of Ontario children live in such acute poverty that their families cannot afford sufficient food to eat.

Finally, a point on child care you heard earlier from Councillor Olivia Chow, that 70% of Ontario's children have mothers in the paid workforce but there is in fact regulated child care available for less than 12% of those children. We have a specific concern with regard to the early childhood development initiative which this province signed in the year 2000 with the federal government. None of the funds that were set aside and given to Ontario have been spent on child care. Perhaps that is part of the reason why in Toronto alone over 15,000 children currently sit on the waiting list for subsidized daycare. They've been there for years.

Those are some of the statistics that people we work with bring to light for us. I'd now like to pass it on to my colleague Walter Pitman to talk about some of the recommendations we'd like to put forward to this committee.

Mr Pitman: I'd like just for a few seconds to place our submission in a global context. What we've seen happen in the last 20 years has been the extraordinary expansion of well-being for the few and an extraordinary loss of position for the many. Poverty throughout the world is a major issue, and any one of us who doesn't think there is any connection between what is taking place right now—we're on the brink of another war which may very well be the central feature of the 21st century—and the socio-economic change that's taken place in the last 20 or 30 years simply is not, I think, thinking very carefully about what is transpiring.

I'd like to put that in the situation we're talking about right now. If we don't think that having tens of thousands of young children in poverty is going to affect the civil behaviour or the sense of well-being, the safety, the priorities of the future—are we going to build more jails; are we going to have more policemen? Is that the way we're going to, in a sense, look at our well-being in this century? That, I suggest to you, is the same on an international basis, where we're looking at more and more terrorists as a result of what has taken place in the last 20 or 30 years. I would suggest that you've got exactly the same situation internally when you allow poverty to exist in what is essentially a society of high well-being.

This seems to have at least reached the federal government, at least at a rhetorical level. The Prime Minister said in September 2002, "The government will put in

place a long-term investment plan to allow poor families to break out of the welfare trap ... it will again significantly increase the national child benefit for poor families and will work with its partners to increase access to early learning...."

I do a lot of teaching. A great many Americans come up and I teach them about Canada, about Canadian culture, and especially about the nature of the city of Toronto. They are appalled, just amazed, at the number of poor people there are on the streets. They're just absolutely unbelieving when I tell them the kinds of statistics that Jacquie has just brought to your attention.

We think this can be done only on a three-pronged basis. If you don't take all three of these seriously, then the stool falls over. You can't take one. It's not a simple nor a simple-minded way of dealing with the situation. It's a complex problem and it has to be dealt with in all its features.

The first one is obvious: income security. Certainly the government of Ontario simply must stop the claw-back of national child benefits for those on social assistance. These people now are the poor, the very poor. Some of them are the working poor. Some of them are the kinds of people we look up to. They have jobs, they are trying their best to look after their families and they are failing. It comes down to, "Do we feed the kids or do we pay the rent? We can't do both." In spite of the so-called flood of well-being that's gone on at the top and all the expansion that has taken place over the last 10 years, very little has trickled down to these people at the very bottom, as Jacquie has pointed out.

The second leg of that stool is affordable housing. I'm going to say very little about that except that the province of Ontario must fully match the federal government's \$245-million commitment under the affordable housing framework agreement. It's absolutely essential that this city not be known around the world as one where you find people on the streets with their hands out. Perhaps today, being a very cold day, is a good day for this committee to put its attention to that particular item.

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Third, of course, is the need for early childhood education. There was a time when all of us had a sense that this is surely something that's on the periphery; that is, whether kids get looked after by their parents or whether they get looked after by somebody else is neither here nor there, certainly not a concern of legislators. What we realize now as never before is that what happens to children between the time they're born and the time they're three or four years old is the most essential point in their learning lives. They never recover if they have not had a good learning experience in those years. If they aren't looked after by people who know how to bring those opportunities and those experiences to young people, they do not catch up. The windows close.

I went through a teaching career in which I thought the schooling system was largely a rehabilitation system. You sort of looked after all the things the parents had failed to do in the first five years. Well, it doesn't work.

It never has worked. That commitment to early childhood education may be one that we older people think is peripheral, but in every real sense if you want good, productive, decent, compassionate citizens, then you have to take a look at that issue.

I would say this to all three, to demand the attention of this committee: it would be marvellous if this committee made a report that in fact brought it to the attention of all political parties; we might well turn this country around, not because a Prime Minister wants a legacy, but because it's the right thing to do because these are the kinds of citizens we want in the future. All of us depend on that. I want my grandchildren growing up in a province that has a decent attitude toward everybody, not just those who are well-off. I don't want to see social programs being limited and underfunded in order to give more advantages to those who already have. I want to see a province in which every young person has an opportunity. May I pass it over to my colleague?

Mr Vandezande: What Mr Pitman has just said ties in completely with the six points of Finance Minister Janet Ecker's set of questions put to this committee, where she asked, "Which sustained, balanced, long-term, multi-year tax relief to support growth and prosperity should we adopt?" The poor, the homeless, the vulnerable children and families need a multi-year tax relief and tax support program that addresses the problems that both my colleagues have addressed and that numerous people have brought to your committee's attention. A multi-year plan fitting within the negotiations that have been completed with the federal government regarding childhood services and child care indeed means a multi-year commitment by the government to provide the kind of support to vulnerable families and children and the homeless so there's a consistent, comprehensive, life-affirming framework that puts these people on the road to recovery and to being able to participate meaningfully in the life of our society and in our communities.

Our hope is that you will make that a unanimous recommendation and that the multi-year plan indeed addresses the needs of people. I notice that in this document no reference is made to people, only to institutions, to banks, to businesses. Let's keep in mind that at the heart of our society are people—citizens, families, neighbourhoods. If we want to be pro-family and pro-life or whatever, then let's make sure they can live with dignity and enjoy life meaningfully.

The Vice-Chair: Thank you very much. We have a bit of time for questions, and I'll turn first to the Liberal caucus.

Mr Phillips: Thank you, and it's good to see the flame burning so strongly in all three of you, particularly the two who are more my age than the one in the centre.

The two federal programs that you indicate where the money is not being passed on, the national child benefit program and the \$114 million and \$153 million in early childhood development, on the early childhood development money, was that money that was available and not taken up, or was it money—

Mr Vandezande: It was available. It was transferred. It disappeared in the general treasury of the government. It wasn't used for the designated purpose, namely, child care and related services. It was used to finance other activities by the government, but none of it went to subsidize child care.

Mr Phillips: Would that also be the case with the \$1,250-a-year national child benefit program?

Mr Vandezande: You mean the clawback?

Mr Phillips: Yes.

Mr Vandezande: The clawback, to our knowledge, is not used to help the very families it was designated to assist. So the result is that the provincial government gets money from the feds then uses it for purposes for which it wasn't intended. That's why we hope, in the next agreement with Ottawa surrounding housing, child care and related services, that there be mutually acceptable standards and public accountability that is transparent so that the money is spent for the purposes it was given.

Ms Maund: We also hope that all political parties will commit to not clawing back that money.

Mr Christopherson: Thank you again for your presentation. It's unfortunate that you're back here every year, because if the issue disappeared you wouldn't need to be here and we, as a society, would have won.

One of the things you're not supposed to do is ask a question you don't already know the answer to, but I'm going to anyway. I could be dead wrong here, but wasn't the issue of child poverty raised in the United Nations and Canada, the level of child poverty in the context of the wealth of our country? Has that not been addressed by the United Nations?

Mr Pitman: In a United Nations report, yes, it has. Your initial point is well taken. It was in 1989 that the proposal was put forward in the House of Commons in Ottawa, supported by all political parties, that by the year 2000 child poverty would be eliminated. As we can see—it's 2002 that I quoted—we're still making promises but we're not coming through. I guess that's what we're anxious to see happen.

One of the things that really bothered me was when the Premier said he was going to treat the new money in the health area as, in a sense, a repayment for past debts. If that is a position that's taken by all the provinces in Canada, then the country is really in deep trouble, because it means that you can't do anything new; all we can do is rearrange the financing in such a way that we fill the coffers of the provinces or at least allow provinces now to go off in their own directions, in fact even sending cheques out to their citizens, as opposed to really doing something basic about the needs of the people we're here representing.

Mr Vandezande: In answer to your question, the issue of child poverty was put on the international agenda by Brian Mulroney when he was Prime Minister and pushed hard and got international agreement universally that Canada should meet its obligation, we should commit ourselves to the 0.7% of the GDP, and that of course also applies provincially. We need to meet our

obligations, otherwise governments should go out of existence.

Mr Sampson: I'm going to ask a question I don't know the answer to; I don't mind doing that. I'm asking this because it's come up a couple of times. I just don't know what the answer is. Is there any other province clawing back the national child benefit?

Mr Vandezande: Not to our knowledge. Ontario's the only one. It's the only one that takes the money from poor people and makes them still poorer.

Mr Sampson: I didn't ask a partisan question, so let me try another one.

Mr Vandezande: This is an objective answer.

Mr Sampson: Right. So the answer is, as far as you know, nobody else but Ontario—

Mr Vandezande: Nobody else is.

Mr Sampson: And you say that one of the other solutions will be to increase the minimum wage to some level. Is there any evidence that the provinces that have a higher minimum wage have a lower child poverty rate? Is there any statistical information or otherwise? I understand how it will help people.

Ms Maund: No, but there is obviously a correlation between the cost of living and the minimum wage. It's a lot more expensive to rent accommodation in Toronto than in most other places in the country. So obviously if you're not earning above minimum wage, you're still living below the poverty line.

Mr Sampson: But even that would say that if you went to a province that had a lower cost of living—surely Ontario has a fairly high cost of living, given most of the other provinces. If there's another province that's at a higher minimum wage level, their child poverty rate should be sizeably lower, if you drew that direct analogy, shouldn't it?

Mr Vandezande: Just on that, the child poverty rate in Quebec is lower, the minimum wage is higher and the general conditions socially and economically in Quebec are better than in Ontario, because there is a more equitable distribution, there is more generous support of daycare, there is more adequate provision for people who are in desperate situations. So I suggest that we become the leading province within Confederation and follow for once Quebec's example on the social justice front.

The Vice-Chair: Thank you very much for your presentation. We appreciate your advice very much.

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INFORMATION TECHNOLOGY
ASSOCIATION OF CANADA
FOR ONTARIO

The Vice-Chair: I'd like to call forward our next group, the Information Technology Association of Canada for Ontario. Welcome to the standing committee on finance and economic affairs.

Mr Bob Horwood: Thank you very much, Mr Chairman. I have a number of copies of our submission here.

The Chair: The clerk will take care of them, sir. I'd ask you to please state your names for the purpose of Hansard. You know you have 20 minutes, and any time left over will be for questions from the different caucuses. Welcome, and please proceed.

Mr Horwood: My name is Bob Horwood. I have with me my colleague Cyndee Todgham Cherniak. We are here from the Information Technology Association of Canada for Ontario, more colloquially known as ITAC Ontario. I wish to put before the committee this afternoon the concerns that we have regarding the Ontario retail sales tax as it relates to computer programs and related services.

I might begin by pointing out that the Information Technology Association represents companies in the IT field in Ontario. I'm sure most of you are aware that the IT industry in Ontario is the third-largest employer, after the food and automotive industries.

We are concerned about the retail sales tax as it applies to computer programs, and I'd like to explain a little bit about this. Of course, when our vendor community of the Information Technology Association is selling programs and services to other buyers, a recent change which originated in 1997 required that sales tax be charged, particularly on services and certain computer programs. This put the vendor community who were selling these programs in the position of being tax collectors on behalf of the government of Ontario. The people we sell our software and services to are in fact the taxpayers.

The difficulty has arisen with regard to the sales tax on computer programs and services because, first of all, it was not widely publicized when the changes were made in 1997. Not only was it not widely publicized, but indeed there was no, or very little, attempt to audit the firms to see whether this tax was being properly collected and remitted. The result was that there was a passage of time, about three to four years, before the IT industry became aware of this particular tax. They became aware of it largely because of auditors arriving on the doorstep and declaring that the tax should have been charged to various people to whom programs were sold or services provided, and that tax was now due and payable. The fact then was that a number of these primarily small firms were hit with very large tax bills where it was impossible to go back to the customer, due to the passage of time, and recoup that tax.

This has caused a great deal of difficulty within the industry. In fact, there have been a number of the smaller firms that have been put out of business by the fact that they were hit with large assessments. I should point out that what happens is that once an auditor provides an assessment, the amount of that assessment is due and payable on the spot, no matter whether or not an appeal would be launched afterwards or a dispute takes place. With smaller firms, this of course means that there isn't money within the firm to be able to collect it, and that results in firms being put out of business.

Furthermore, the difficulty with the tax is that it's ambiguous and confusing. It depends in a large measure on the kinds of definitions of the services and programs that are being offered, and the information technology industry is notorious for the fact that those definitions and the terms they use in their business change rapidly. So the definitions are always somewhat out of date.

In the submission, I've enumerated a number of the circumstances that are having an adverse effect on the economy of Ontario. Rather than go into each one of those, we note that it is a problem, particularly in certain cases where firms are deciding to locate outside Ontario, Alberta and Quebec being two principal locations. This is having an adverse effect on the competitive aspect within the province itself. We're now competing on a global basis, and we have to encourage business to take place in other jurisdictions and other locations.

An example of this would be what is called an application service provider on the Internet. If a company is selling services or the use of a program based on a piece of hardware located in Ontario but to a customer located in, say, the United States, technically, according to this tax, they should be charging the tax to that customer. But if you reverse that process—imagine now a company in California that is selling the service here in Ontario—that tax should also be charged, but in fact it's impossible to collect it off the company in California. I offer that as an example of the kinds of difficulties that are taking place.

In the budget of 2002, there was a reference made to the fact that there are problems with this particular tax and that an attempt would be made to simplify the tax. Subsequently, this December, in the omnibus bill, there was reference to changes that would be made to the retail sales tax, but that the essence of the changes that would be required would be left to the regulations. Currently, we are working with the Ministry of Finance to attempt to come up with definitions that might solve some of these problems, and it's proving to be extremely difficult to do so. One of the reasons for that, of course, is that even within the information technology industry, some of the terms and words used to describe particular things, which the staff of the Ministry of Finance is now attempting to define, have different meanings for different practitioners within the field.

We think that the answer to this problem is not to tinker with it further, not to tinker with the definitions, but in fact to try to find a more reasonable approach and a different approach with regard to retail sales tax in this particular area. So we would like to see changes, and we would recommend that changes be made to that tax, which would assist business.

At this stage, I'd like to turn to Cyndee. I'm not sure whether you have anything you'd like to add to this.

Ms Cyndee Todgham Cherniak: My name is Cyndee Todgham Cherniak, and I'm from Goodmans LLP. But today I am going to be speaking on behalf of ITAC Ontario, as I assist them in this matter.

We have come up with a possible solution that solves much of the difficulty that has been experienced since 1997 when the computer software rules came into effect, and it is this: impose a tax on computer software; impose a tax on computer-related services; however, provide an exemption for businesses.

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One of the reasons we throw this out as a possible solution is that by allowing an exemption for businesses, you can create a situation to assist with the solution of the underground economy. If a business is registered and in the Ministry of Finance's database and system either as a registered vendor, which is a vendor who charges sales tax on some of its services or products—but you can also create a category of vendors who are not vendors for the purposes of the Retail Sales Tax Act. You have two categories. It's businesses like my law firm—we don't charge PST right now on legal services. So you'll have both categories in the system. It would enable the Ministry of Finance to go and audit these companies and look at their books and records. If you want to take advantage of this exemption, you must be in the Ministry of Finance's system. If you want to remain in the underground economy, you're going to be paying retail sales tax on your purchases of computer programs and any computer-related services rather than splitting hairs, which is what we are doing now.

I'm dealing with computer programs first. We now have a situation where all computer programs are subject to retail sales tax. That's the rule. Exemptions are allowed for custom computer programs, which are programs that are designed and developed for a specific user. There are additional exemptions for computer programs that are prewritten but modified, with a series of rules and tests to take place. The computer-related services, as a result of the July 19, 2002, draft amendments which were partially put in place in the legislation but most by regulation that are still outstanding—we need a definition for "installation of a computer program," "configuration of a computer program," "modification of a computer program" and "upgrade of a computer program." Those are the terms we're having difficulty defining. Even the definition as written now has changed, so it's not necessarily in sync with what the IT industry considers to be falling within that definition. It's the IT industry, and often the smaller companies within the IT industry, that are having the problems.

Our solution is, tax it all, except allow an exemption for businesses so that consumers pay the retail sales tax, but businesses that flow that through will attract businesses to Ontario. It will attract IT businesses to set roots here in Ontario. It will attract foreign companies who service the US market. They call them "near offices." India, for example, sets up near offices in Canada in order to service the large US market because we have lowered our income tax rates and lowered our payroll taxes and because it is cheaper to have labour in Canada. Right now we say, "Go to Alberta, go to

Quebec, go to the Maritimes, because you will not get stuck with this tax.” Alberta doesn’t have a PST. Quebec has a Quebec sales tax, so businesses are entitled to input tax credits. The Maritimes have harmonized with the GST, and they’re entitled to an input tax refund. So that is our suggested solution to this problem.

Mr Horwood: Mr Chairman, that’s our submission. I’d be prepared to answer any questions. We don’t want to overstay our welcome.

The Chair: We have about two minutes for each caucus. We begin with the NDP.

Mr Christopherson: Thank you for your presentation. There’s a lot of detail on that.

Mr Horwood: There is a lot of detail. I’m sorry. It’s a complicated matter.

Mr Christopherson: It is. It’s hard to grasp all the nuances in one run-through, no question. But it sounds like a legitimate, non-partisan finance issue. Common sense should dictate how this thing gets unfolded.

Could you just run through the benefit again in terms of offsetting or discouraging participation in the underground economy? Go through that one again for me, please.

Ms Todgham Cherniak: We would discourage it by bringing people forward into the system. If you want to get the exemption, you have to be in the Ministry of Finance’s database. That is how you get around—so you help with the underground economy issue because companies are coming forward, saying, “OK, I will start to charge and collect taxes. I will make myself known to the government of Ontario because I want to buy my computer software and I want to save the PST.”

Mr Christopherson: Just to ask the question, is there enough incentive there to offset the incentive of remaining in the underground economy? Obviously, there’s a huge incentive. Is this big enough to be in there?

Ms Todgham Cherniak: We believe there very much will be, because so many companies are now using computer software in a variety of ways to conduct their businesses and some of them need to purchase software that is quite expensive. So we’re not talking about someone who only uses Microsoft Office; we’re talking about restaurants and bars, for example. They track their spillage, they track their spoilage and they track their inventory by specialized computer programs. There is the possibility that it’s going to actually be of assistance.

Mr Christopherson: How much revenue stream are we stopping in terms of revenue into the province, do you think?

Mr Horwood: It’s increasing now, because the businesses that are contemplating locating in Ontario are now just becoming aware of this tax and the problems that arise from it. The problem that arises, I want to stress, really stems from confusion and ambiguity. If this was a simple matter of taxing something, in the sense that I go into the store and I buy a box of something and it goes through the cash register, there’s not any problem with that sort of tax. The difficulty comes from—let me try to explain in a sense where Cyndee has talked about

custom software versus what we might call shrink-wrapped software.

If you do custom software for someone, it is not subject to sales tax. So if I do a program for you and it’s intended just for you, then there’s no sales tax on it. But if, for example, I were to discover that this same piece of software might be useful to Mr Phillips and I sell it to him, it’s not custom software any more, because I’ve sold it to two people. I didn’t intend to at the beginning, but now I should have charged you sales tax. Those two transactions might have taken place three, four, five years apart, and yet the auditor comes in and says, “Whoa, you sold this to two people. This is taxable.”

Mr O’Toole: Thank you very much, Robert. I’ve listened to you before on this issue, clearly when I was in Finance. I heard it even down at the point of writing the budget—I heard it; I didn’t have any direct input—and also through the Red Tape Commission.

It appears to me even as you describe it now and, Cyndee, your explanation as well in commercial law—I like your solution number 6, the new approach, looking at infrastructure and business. From the point of view of business, the way Quebec handles it sounds like a more realistic solution. This approach of creating a new registry and everybody has to pay and then everybody gets to file for a refund—there must be some other way of doing this.

I worked in systems most of my life.

The Chair: Quickly, sir.

Mr O’Toole: I guess my question is—you’re right: even programs that are installed, or installed programs, and there’s some little glitch because I’ve got an operating system that’s different, ultimately are custom to a large extent unless they’re off-the-shelf installed. If there’s a service interface involved, it’s custom.

Ms Todgham Cherniak: According to the retail sales tax rules, it’s not necessarily custom, and that’s where the problem is: is that transaction custom or isn’t it custom? But I would suggest—

Mr O’Toole: How do they audit? It probably costs them a fortune to enforce this thing.

Ms Todgham Cherniak: Absolutely. So we would suggest the alternative, which is even better than the Quebec model, of paying the tax and claiming an input tax credit. The Ontario model can be the best system, besides Alberta, which doesn’t charge tax, in that you don’t pay it up front and there’s a paper trail that is auditable. It’s a simple solution to what is a problem in Ontario, British Columbia, Saskatchewan and Manitoba. All the provinces that have a retail sales tax have this same problem.

The Chair: We’ll be moving to the official opposition now.

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Mr Kwinter: I wish you luck in implementing that kind of a program. I had first-hand knowledge, and I raised it in the House a couple of years ago, where a constituent of mine who sold computer books that included software was audited. The retail sales tax

auditors came in and said, "Over the last five years you didn't collect the sales tax, and we're going to assess you something like \$200,000," which would effectively put him out of business. He called me to see if I could help. He sent me a copy of the book, and the book had the software to teach people to use computers. It's like teaching someone to drive a car without a car: you need the software to do it. So I went to Chapters and bought a similar book, and they didn't charge me the sales tax. I went to the University of Toronto Bookstore and bought a similar book; they didn't charge me the sales tax. Here the auditors are coming in and charging this guy a couple of hundred thousand dollars for selling the same kind of book.

I raised that in the House. I brought the books in as examples. I sent them over to the Minister of Finance, who at the time was Ernie Eves. He said he would look into this thing. I have to tell you I've never heard back. So hopefully in this situation, in your group that is working on how to do this, you will come to a solution. Do you have any comments?

Ms Todgham Cherniak: It's still a problem.

Mr Horwood: It's an ongoing problem because of the complexity. I think the difficulty we run into with the staff who are working on this particular problem is that the solutions they come up with or can come up with are within a very narrow definition. Any time we try to recommend to them that it needs a fresh and new approach, of course that's not within their mandate. So here we are, trying to figure out definitions again, and every time we ask a programmer or some other practitioner, "What does this term mean?" we get four or five different terms. That means it's impossible, from the point of view of the auditor; the auditors simply don't have the training or any understanding of that.

The Chair: Thank you for your presentation. We appreciate it.

CANADIAN FEDERATION OF STUDENTS

The Chair: We move to our next presenter, the Canadian Federation of Students. Will a representative please come forward? Welcome.

Mr Joel Duff: My name is Joel Duff. I'm here on behalf of the Canadian Federation of Students, representing our 235,000 college and university student members. I'm not here today to appeal to your social conscience. I'm here to tell you what parents and students are going to be thinking about if we have anything to do with it in the upcoming provincial election.

In 1996, the Ontario government withdrew \$400 million in annual funding from post-secondary education. Ontario's system of higher education has yet to recover from this cumulative \$2.8-billion withdrawal in core operating funding. Our institutions have been making do with less, accommodating more students with fewer dollars. This funding crisis has caused university and college administrators to push for leverage to increase

private funding, both through students and parents, but also through the private sector. As a result, dramatic tuition fee increases now threaten accessibility for many low- and middle-income students, creating a crisis that has been compounded by the Ontario government's 1998 decision to deregulate graduate, professional and post-diploma programs.

However, tuition fee increases have not translated into greater financial resources for post-secondary education institutions, because government cuts have outstripped added tuition fee revenue. Today, students are contributing close to half of the operating funds of our colleges and universities. That's up from the 21% of institutional operating budgets that we paid in 1991, and it's even above the goal of 35% that was set by this government back in 1999. All of these factors have conspired to create what we believe to be an unparalleled crisis in accessibility and quality at our colleges and universities.

There is an enrolment crisis. All of the evidence over the past few years has pointed to the inevitable intersection in fall 2003 of the demographic impact of the baby boom echo, the two graduating classes of the double cohort and the growing importance of post-secondary education in today's employment market. This intersection has been met by the government's neglect and mismanagement of the situation and has produced the enrolment crisis that is haunting students and their families across Ontario.

Preliminary figures released by the Ontario Universities' Application Centre show that there has been a 316% increase in the number of applications to universities since 1996. Training, Colleges and Universities Minister Dianne Cunningham has stated that she requires an additional \$50 million—a figure that we believe is unrealistically low—for higher education to accommodate the enrolment challenges facing her. Yet this government has not even made this commitment available, and now Ontario institutions are short as many as 7,000 to 10,000 spaces, and many institutions are increasing entrance requirements as a means of reducing student demand.

Instead of heeding the projections of stakeholders, the Ontario government has consistently underestimated the size of the enrolment boom while repeating their mantra that every "willing and qualified" student will find a place. As it stands, it could well be that one out of every seven qualified students will not find a place at an Ontario college or university.

Our solutions to the enrolment crisis are simple: universities need an additional \$200 million immediately, and colleges need an additional \$127 million.

There is also an access crisis. The impact of increasing tuition fees can no longer be ignored by this government. At an average of \$4,634 in 2002-03, undergraduate arts tuition fees in Ontario are the second-highest in the country. This figure represents an increase of more than 150% since 1996.

In fact, tuition fees for some programs have increased by more than 800% since 1998. The tuition fees for law at the University of Toronto are set to increase to \$22,000 a year over the next three years. This has resulted in the Black Law Students' Association of Canada and the African Canadian Legal Clinic formally filing a complaint with the Ontario Human Rights Commission that tuition fee deregulation is a discriminatory practice because it disproportionately negatively affects people from marginalized backgrounds.

As has been documented to this government before, there is growing evidence that tuition fees are squeezing out middle- and lower-income students. This is especially true in deregulated programs like medicine, law and dentistry, but evidence is now emerging that shows that across the board, students from lower- and middle-income backgrounds are pursuing higher education at a lower rate than their wealthy counterparts—likely half the rate. In fact, in deregulated programs at the University of Toronto over the past year alone, participation rates among students from family income backgrounds of less than \$50,000 have dropped by 11%.

Here are our solutions. In Ontario, we recommend that \$190 million be allocated to immediately freeze tuition fees as a first step toward restoring access to post-secondary education—the Liberals have committed to it as of today, and the NDP has committed to a reduction—and that you systematically reduce tuition fees, with a special emphasis on deregulated programs.

There's also a financial aid crisis. During their first term of office, this government changed the definition of "independent student" so that in order to be independently assessed for student aid, a student must have lived away from home for five years rather than four. This government lowered the family income threshold for student loans and disqualified part-time students from receiving student aid. At that time, and consistently thereafter, the federation warned that these kinds of changes introduced by this government would create a crisis in access to student financial assistance. We take no satisfaction in noting that yet again our predictions were borne out in practice.

Last November, internal government documents demonstrated that the Ontario student assistance program has experienced a 40% decline in the number of students accessing the program. This has occurred at a time when post-secondary education has been experiencing the greatest growth in the past 30 years. This does not represent an overall decline in the actual number of needy students, as Cunningham seems so convinced to reiterate. On the contrary, student financial need has never been greater, but dramatic tuition fee increases coupled with unreasonable restrictions on student loan eligibility have conspired to squeeze some of the most needy students right out of the system.

Despite this reality, the Ontario government has continued to mismanage millennium scholarship dollars that were intended to provide student debt relief beyond that provided by already established provincial funds. In

Ontario, millennium scholarship allocations have reduced student eligibility for debt reduction. As a result, the Ontario government has saved more than \$65 million. Rather than reinvesting this money in the creation of new financial aid initiatives, the Ontario government has rolled a substantial portion of its savings back into the provincial coffers.

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As solutions, we argue that students need substantive measures to reduce the amount of student debt. We do not need any more ways to help us cope with larger debt loads. The Canadian Federation of Students recommends that \$135 million be invested immediately to improve student aid and to provide upfront needs-based grants to Ontario students. We reiterate our call for full disclosure of the use of any savings from millennium scholarship dollars and that such money be used to establish new programs that directly reduce the unmet financial needs of students.

There is a quality crisis. Because of deep government cuts, the past seven years of tuition fee increases have not translated into any improvement in quality. Dwindling faculty numbers and crumbling infrastructure are just two of the symptoms of the quality crisis in our colleges and universities. What limited funds have been made available for infrastructure have come with such conditions that they have not gone toward solving old problems and, instead, have created many new ones associated with an increasingly market-driven orientation to post-secondary education.

In fact, Ontario has the worst professor-student ratio in Canada. The Ontario Confederation of University Faculty Associations, whom you heard from this week, has estimated that about 15,300 new faculty will be required to meet today's enrolment challenges, while the Association of Colleges of Applied Arts and Technology has estimated that between 2000 and 2005, nearly one third of current staff will be eligible to retire. The staff and faculty shortage, combined with the current enrolment expansion, poses a serious threat to the quality of the educational experience offered at Ontario's colleges and universities.

Two years ago, the government's own Task Force on Investing in Students estimated that the costs associated with building maintenance that had been neglected as a result of financial constraints could be as high as \$1.2 billion. The fact that buildings have not been adequately maintained means that Ontario students are studying in substandard learning environments.

This government's insistence on increasing private influence and control of public post-secondary education through the SuperBuild fund and through the introduction of private, for-profit degree-granting institutions has meant a thorough entrenchment of market-driven values in building, program and curriculum development at many Ontario colleges and universities.

To solve the crisis in quality, Ontario needs to meet the national average for professor-student ratios. That's a fairly modest demand. Our universities and colleges need

\$450 million and \$150 million respectively for deferred maintenance. The Canadian Federation of Students recommends the replacement of public-private partnerships with unrestricted core funding for colleges and universities and that existing private institutions be integrated back into the public system.

Ontario needs to chart a new course for itself. This crisis has touched every aspect of post-secondary education, from the faculty shortage to the lack of student spaces, from crushing student debt to the doubling and tripling of tuition fees and from decrepit buildings to inadequate library facilities. It is plainly obvious why most families in Ontario now give this government failing grades for its handling of post-secondary education. Chronic government underfunding is at the root of all these issues. Even if the above demands are met, the system would require an additional \$400 million every year to maintain the system at 1996 levels. This basic recommendation underscores all the other financial recommendations.

Recently, Dianne Cunningham, Minister of Training, Colleges and Universities, attempted to deflect the genuine anger students and their families are feeling by pitting the needs of the health care system against the needs of our education system. The Canadian Federation of Students believes that were the Ontario government to find the political will to change its priorities, there would be plenty of funds available to properly fund both health care and education. For the record, we do not accept that core funding for one must come at the expense of the other.

The Chair: Thank you, Mr Duff. That leaves us with just over a minute per caucus, and we begin with the government.

Mr O'Toole: Thank you very much for your presentation. We have heard a number of different points of view on the importance of the double cohort. I guess you'd have to admit that the minister, Dianne Cunningham, is very committed. In fact, some would say she sort of overstepped her authority by committing yet another \$50 million.

Mr Duff: She committed that, but Ecker has not suggested that money will be forthcoming.

Mr O'Toole: I'm only making the point that I think the minister is committed. You can refute her statement and the statement by the Premier that every willing and qualified student—I'd just put it to you this way. As a parent of five children, I think there is a fair amount of responsibility to look at that whole aspect of the affordability, but even what you said doesn't really flow through. You're saying that tuition deregulation is a barrier. Really, that's what you said in the first part of your introduction, that the increasing tuition was a financial barrier, yet now we've got all this double cohort and everybody's going—the numbers are up. The penetration numbers have gone up from 12% to 25%.

The Chair: Quickly, sir.

Mr O'Toole: So I hear what you're saying. It's an extremely important investment, and it's an investment in you. I think there has to be a shared responsibility.

Mr Duff: What I would suggest to you is that any money that has come through from this government for the double cohort has been very late in the game, so it's going to be a very difficult stretch—

Mr O'Toole: We've worked on it since 1995.

Mr Duff: —to hire faculty in about five or six months and build the spaces that are required.

Mr O'Toole: We've worked on it since 1995.

The Chair: Please let Mr Duff finish.

Mr Duff: If you don't mind me just finishing, with respect to deregulation, I don't think it's an issue of shared responsibility. Post-secondary education is a requirement in our society to become a middle-income earner, and that opportunity should be available to everyone regardless of their financial circumstances. We should pay for our education through a progressive system of taxation after graduation.

Mr Phillips: Thank you for your presentation. This is a government document, Doing Business in Ontario. These numbers are old now, but it proudly states how our tuition fees are dramatically lower than in the US and the great advantage that is. That was before the dramatic fee increases.

I was caught by your comment here—and I remember the government election platform in 1999 was that we were going to have tuition fees cover roughly 35% of the costs, because that's fair and equitable and affordable. I now gather it's dramatically higher than that. I think you quoted a number. Why would it have been fair and equitable at 35% in 1999, and why would they have allowed it to get to—what was the number you quoted?

Mr Duff: It is on average 41%, but at some institutions as much as 50%. That's a great question, I think, that we should pose to our government, because the fact of the matter is that they have consistently overachieved with respect to shifting the responsibility from the public sector to the private sector for funding post-secondary education, shifting it from public, government dollars on to the backs of students.

Just to come back to your point about the United States, the fact is that the United States system isn't less accessible than ours. At most state colleges, tuition fees are actually quite comparable, and average student debt in the United States is quite comparable to what students are graduating with here. The fact is that our system thrives by an investment of public dollars, unlike that which is offered in the United States. But we need to have a universally accessible system to have a flourishing economy, in my opinion.

Mr Christopherson: Thank you for your excellent presentation. You clearly know your stuff.

Just to get at the root of the government's mindset, I want to take you back a bit to the millennium scholarships. In particular, this message is for anyone who happens to be watching and who is either thinking of going to university themselves or is the parent or

grandparent of someone who is going to be going to university. If you could just take a second to outline exactly how the \$3,000—there's only a \$1,000 benefit and this government is \$65 million ahead at the expense of students.

Mr Duff: Thanks for that question. Essentially, the Millennium Scholarship Foundation provided a grant of up to \$3,000—

Mr Christopherson: That's from the feds.

Mr Duff: —from the federal government to students in each of the provinces. But in Ontario it is duplicating funding for students who are already receiving from the provincial government for loan remission. What that meant was, because it was duplicating an existing program, the provincial government was saving what we have discovered is \$65 million. Under the act for the Millennium Scholarship Foundation, that money was supposed to be reinvested in the public education sector. The goal of the Millennium Scholarship Foundation was supposedly to reduce student debt. This government took the money and used it to underwrite existing infrastructure costs and programs in the education sector and then pocketed the difference, which is probably around \$30 million. So, frankly, I'd like to see some accountability, and I think you would too.

1540

Mr Christopherson: Thank you. Well done.

The Chair: Thank you, Mr Duff. We appreciate it.

Mr O'Toole: Mr Chairman, on a point of order: I must clarify, with your indulgence.

The Chair: I'm listening.

Mr O'Toole: The federal Canada student loan is not underwritten—

Mr Christopherson: That is not a point of order.

Mr O'Toole: No, he's giving the wrong information. It's not underwritten by the federal government, and the provincial student loan is.

Mr Christopherson: It's not a point of order.

Mr O'Toole: So you should start telling the truth at these hearings.

Mr Christopherson: Mr Chairman, on a point of privilege: I think he should be directed by you to take that back.

Mr O'Toole: That's the point. I'm correcting some information that's wrong.

The Chair: Please withdraw that, Mr O'Toole.

Mr Christopherson: Apologize.

Mr O'Toole: The information is wrong. As a student, he should know that.

The Chair: Mr O'Toole, stop.

Mr Duff: As a student, I've done my homework, thank you.

The Chair: Thank you, Mr Duff. We appreciate your presentation.

Mr O'Toole: You haven't. I'm disappointed.

The Chair: Mr O'Toole, enough. Thank you. Thank you, Mr Duff. We appreciate your input.

ONTARIO TEACHERS' FEDERATION

The Chair: Our next presenter is the Ontario Teachers' Federation. I apologize; I almost said it was the preachers' federation. It is the Ontario Teachers' Federation, and I would ask that you please state your name clearly for the purposes of the record. You know you have 20 minutes.

Ms Phyllis Benedict: Thank you, Chair. Phyllis Benedict, president of the Ontario Teachers' Federation. With me today is executive assistant Kathleen Devlin.

The Ontario Teachers' Federation does welcome the opportunity to present its views to the standing committee on finance and economic affairs as part of the annual pre-budget consultation process. As you may be aware, OTF does represent 144,000 elementary and secondary teachers who work in the publicly funded schools of our province.

Last year when OTF appeared before this committee, we addressed two issues: the government-promised review of the funding formula and the shortage of qualified teachers in Ontario schools. Since that time, the Education Equality Task Force, chaired by Dr Rozanski, has been struck and has reported, and we know more about the shortage of qualified teachers. Today what we'd like to do is draw a connection between these two issues.

I compliment the Minister of Education for taking the initiative, recognizing that there was something wrong with the funding formula and moving forward to start to rectify that.

We did have the opportunity, as OTF, to meet with Dr Rozanski several times, and we also had a representative who sat on the stakeholder advisory committee. In our presentation, we made the following points:

We need a functional model for the distribution of public funds for elementary and secondary schools. Although it's not sufficient in and of itself, it would move toward ensuring equality of student learning. We know that public education is a shared public good. It is essential to have a model for its funding that is understandable and that the recipients be accountable if the implicit contract with Ontario's citizens is to be maintained.

We also know and put before Dr Rozanski that the best accountability is that which is a clear and open reporting of expenditures in ways that are understandable. Attempts to control decision-making through excessive regulations often do nothing more than produce new distortions and other unintended and unexpected consequences. We know that we need sufficient new money allocated to education to provide a genuine ability for school boards to respond to local needs and public expectations. We've seen around the world in other jurisdictions, such as Britain, that they have experienced large-scale reform and are finding it necessary to increase their education investment.

And we know that no model is perfect in design. It needs regular review and adjustment as new information

and new situations evolve. So the process of review and adjustment must be shared between government and those responsible for the day-to-day operation of our schools, with significant community and stakeholder advice.

We were impressed with Dr Rozanski: with his openness, his willingness to listen to all stakeholders, and with the recommendations he brought back. As we know, some of them he signalled to the government were urgent. We do appreciate that the government did move on those recommendations from Dr Rozanski. However, as the committee heard yesterday from People for Education, these actions only represent about 30% of the \$1.8 billion in spending that Dr Rozanski says we need in our education system.

We told Dr Rozanski that adequacy is a critical issue in this funding formula. The funding has not kept pace with inflation or with enrolment growth. One of the government's own documents that was authored by Elizabeth Witmer and Dianne Cunningham, *A Blueprint for Learning* in Ontario, acknowledged that the government of the day was spending \$14.2 billion on elementary and secondary education, but that was in 1992. In the budget that was presented to the Legislature on June 17, 2002, the government allocated \$14.3 billion for elementary and secondary education. We know that at the same time we had dramatic increases in student enrolment and we also had serious and severe inflation that was not addressed. Again, we agree with Dr Rozanski: the model works; there are just not enough funds.

What he did was reignite a hope for the supporters of public education. We heard again from the minister that there is a commitment of this government not to put this report on the shelf and let it gather dust. We saw the flurry of announcements that followed Rozanski's report, but we firmly believe that this should not be a strategy that is used for election purposes. We need substantive implementation of all of the recommendations, not just sound bites for the evening news.

If you look at what is contained in the report that still needs to be addressed, the benchmarks are a very important aspect of the funding model. They need to reflect the actual costs of running your schools, not best guess and certainly not lagging years behind the reality. The government did announce \$340 million for salaries, representing a 3% increase of the salary benchmarks. However, there is a long way to go to bring up all of the benchmarks, including salaries, to August 2002 actual costs. We believe the funding model will not work efficiently until the fundamental flaws that have led to this discrepancy are repaired. Especially egregious is the use of averages to set the benchmarks. The use of averages as a proxy for standards inevitably produces a benchmark that's below levels of expectation. As someone I know recently said, "Considering the yearly average of temperature, you don't need a winter coat in Timmins, but it would be nice to have one in mid-January." The Rozanski report allows three years to bring the benchmarks up to date, but we believe the government needs to

and must move sooner. The benchmarks are constantly losing ground.

Six of the 33 recommendations deal with the learning opportunities grant. A move to increase these grants would significantly accommodate addressing the diversity of the communities in our province and assist with meeting the needs especially of those communities that are high-poverty or in areas of high immigration. In order to determine the appropriate magnitude of this increase, we must gather, as Dr Rozanski suggested, further data and research, and we believe it must be done immediately to have an effect on the upcoming school year.

The local priorities grant is the only mechanism our school boards have of responding to those local needs. Recently, OTF awarded one of the Queen's Jubilee medals to a woman called Mary Gordon, who is one of the pioneers in parenting courses in a program called *Roots of Empathy*, which teaches our youngest children how to become better citizens and care about each other.

1550

Minister Witmer was there the day we did that, and she complimented the work. But these school boards cannot have parenting courses because they're not covered anywhere other than in the local priorities grant, and it's not enough money. To educate a child is holistic, and we need to help everyone—parents, teachers, the community—to get the best from our children.

In the 2002 report, the Provincial Auditor criticized the method of funding for special education, declaring it to be inadequate to meet student needs in an effective and timely way. Waiting times for assessment, often due to lack of appropriate non-teaching personnel support such as psychologists or psychometrists, is one consequence of the funding to a benchmark based on an estimated average.

We need to support what is in the current funding model. The two-part model is sound. However, we need to ensure that we have the personnel in our schools to deal with the mountains of paperwork, that special education and resource teachers do not spend hours and hours away from students, only to find that some of those reports are rejected. They need to deal with the students on a day-to-day basis.

The data acquired through the detailed documentation process to develop a weighted grant based on incidence patterns is a provision for a periodic review that has, again, been suggested. We have the data. Let's move forward to protect and support our most vulnerable children.

Within our province, transportation is not a new issue—how to meet the needs of ever-growing costs—and I do compliment the school boards that have moved to find innovative ways of doing so. However, recently I heard that during one of the cold snaps we had, some children stood for a long period of time waiting for a bus that was cancelled after they left for their walk to the bus stop. Safety issues for our students are paramount. One of the things Dr Rozanski suggested was that we have to continue to find innovative ways of dealing with trans-

portation. Yes, we need money, but we need to find more efficient, more effective and safe ways of getting our students to our schools.

With students at risk, we seem to hear of more and more students who start to slip through the cracks. We can't allow this to happen. Early intervention is paramount and there are very many ways of doing it, starting with reducing class size at the elementary level. This would enhance literacy and early numeracy efforts, but we also know that we need to have sound professional development provided by school boards to make sure our teachers are most current and that the programs they have access to will definitely help our students.

For over 20 years, we have talked here in this province about an integration of services to meet the needs of children, and we haven't yet done it. This is a government that continues to talk about the bottom line fiscally. Well, perhaps if we didn't have duplication of services, we could then take that money and put it into programs that our students desperately need. We heartily agree that Ontario needs to keep pace with the rest of Canada, looking at the needs of aboriginal students and the aboriginal community. We hope that we will find some funds in order to move forward on that.

When you look at school board governance, the dedication of our trustees for \$5,000—that hasn't changed over the years—almost makes that position one of a volunteer service. However, we need to retain the dignity of that duly elected process and those individuals and support them in the very significant role they make.

I said I was going to tie it briefly to the issue of teacher shortage, which we have looked at very seriously. OTF has worked on a workgroup with the Ministry of Education since 2001. We will be holding a symposium on February 10 and 11 with the directors of CODE to look at what we need in order to recruit and retain teachers in our province. We know their salaries, benefits and working conditions are an issue. We need a mentor program for beginning teachers. We need opportunities and support for the employers for professional learning. We need a reliable infrastructure, and we need to have an effective system of governance and administration. We need to put these together to ensure we have the best teachers and that we keep the best to ensure our students' success.

Beginning teachers' salaries don't attract people to our profession. If you look at the beginning salary for engineering graduates, for example, it's \$49,000. Entry positions for graduates with degrees at both the provincial and federal civil service appear to have starting salaries that range between \$45,000 and \$55,000. Entry salaries for teachers here in the Toronto area are \$35,000 to \$38,000. We need to make the profession attractive.

In conclusion, for the past six years OTF has appeared before this committee and reported on the desperate state of funding for our public schools in Ontario. This is not a time for "I told you so." This is a time to do the right thing, to do the smart thing. It's time to reinvest in the

future of Ontario, because to do anything less for our students is an absolute travesty.

The Chair: Thank you, Ms Benedict. We have time for basically a single question from each caucus, if you look at three minutes. We'll begin with the official opposition.

Mr Phillips: Just to give us an idea of your recommendation for this upcoming fiscal year and the following one, what do you feel is required in provincial grants? I realize it's always challenging, because there's the property tax issue as well. But what has to happen just in provincial education spending, in your judgment, next year and the following year?

Ms Benedict: We do support, as many of the other groups that are calling for it, the \$1.8 billion, but we've rounded it to \$2 billion because we know that circumstances happen during the school year where school boards cannot meet the needs or cannot meet the increase—a crisis, for example, in fuel costs, in heating buildings. It would be forward-thinking for the budget to include some monies to look at the types of consultation and the types of research that would necessary in order to act on the recommendations that came out of the task force. So we would agree with \$1.8 billion but we would prefer to see \$2 billion.

Mr Christopherson: Phyllis, thank you again for your presentation, as always. With only one question, it's difficult. In Hamilton, we're still living under the dictatorship of an appointed supervisor. Our elected trustees have been denied their democratic right to assume their position. As a result, we've got massive school closures. We've got parents in total outrage over the redistribution of the boundaries. I just wondered what the position of your organization is with regard to trustees who—normally you're on the other side from them. Given the fact that in my view, and certainly in Hamilton, those trustees were standing up for the kids, standing up for teachers, standing up for the education system, and for that reason they were fired, I wondered what your view is of that situation and the position the trustees took.

Ms Benedict: I think we see in all three of the school boards that have supervisors that trustees who had continued to make the right decisions because they're the right decisions for the community and, more importantly, they're the right decisions for students—I guess we go back to the days of the very first Minister of Education we had with this government, who called our students "widgets." They will find out, unfortunately, through losing kids, closing communities and ripping things apart that should be put together, that maybe these decisions that may fit the bottom line in a budget certainly do not meet the needs of elementary and secondary students, and that elected officials should be allowed to do the job.

The Chair: We move to the government side.

Mr Arnott: Thank you for coming in today. We do appreciate your advice, the suggestions you brought forward and the observations you've made. I know you're aware that the Minister of Education currently does not see the students as widgets and that she is fighting for

everyone in the system. We're certainly trying to put the interests of the students first and to support their opportunities for achievement.

If we don't have a lot of time, perhaps I should just leave it at that. Thank you again for your willingness to work with the minister and your co-operative approach. We appreciate that very much.

The Chair: Thank you, Ms Benedict, and to the federation for coming forward once again. That concludes your presentation.

I remind the committee that we will be travelling. For those who will be flying in the aircraft, you should have a schedule that has been put on your desk by the clerk outlining the itinerary for next week's travel. Because the flight is at 9:15, we ask that you be at the Skyservice hangar no later than 8:30 so they'll have time to board us and the luggage. Also, the clerk's cell number should be in your package. That's 416-953-0810. For those who

don't know where the out-of-town hangar is, I think the map was distributed to you just afterwards.

Interjection.

The Chair: A new cellphone? Was that an error in terms of the number?

Mr Christopherson: I don't know. It depends how many calls you generate. You just put it out across the whole province, so I would imagine Katch is going to be a popular guy: "You tell that damn committee"—

The Chair: Well, it's the clerk's office. Anyway, you're right.

For those who are travelling with the aircraft, if you'd be kind enough to make it on time, we'd certainly appreciate it.

This committee is adjourned to London on Monday, February 3, at 9 am.

The committee adjourned at 1602.

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Monday 3 February 2003

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Lundi 3 février 2003

**Standing committee on
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances
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Consultations prébudgétaires

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Monday 3 February 2003

Lundi 3 février 2003

The committee met at 0902 in the Hilton, London.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Joseph Spina): Good morning and welcome to the standing committee on finance and economic affairs. We are in our pre-budget consultations. We're happy to be here in London for our first day of an awesome four-day road trip.

FANSHAWE COLLEGE

The Chair: Our first deputation this morning is Fanshawe College. You have 20 minutes, and whatever time is left over from your deputation we'll have for questions. Welcome.

Ms Krystyna Lucas: Good morning. My name is Krystyna Lucas. On behalf of Fanshawe College's board of governors, I want to thank the members of the standing committee on finance and economic affairs for this opportunity to provide recommendations to the government of Ontario concerning education-related policies that, in our opinion, need to be addressed.

As governors of a publicly funded institution, we take very seriously our role in representing the ownership of our college, the citizens of Ontario. Fanshawe College is one of the largest community colleges in Ontario, with four campuses: London, St Thomas, Woodstock and Simcoe. We have approximately 10,500 full-time students and 40,000 part-time students. Fanshawe is a community employer. We provide about 1,000 full-time positions, and approximately 1,700 employers recruit Fanshawe graduates every year. Through our students, our employees and our employers, we serve our community.

Colleges support innovation and development across business and industrial sectors, spurring growth and success in the global marketplace. Simply stated, Ontario colleges and their graduates are the spark plugs in the Ontario economic engine.

As chair of Fanshawe College's board of governors, I have many concerns. Thirty-five years ago, the Ontario government took a visionary step in establishing a network of community colleges designed to fill the gap in the province's education system and to better meet the needs of the province's people, its employers, and a

growing and increasingly diverse economy. I applaud this visionary endeavour.

However, today we have a new gap in our education system. The economy has a growing demand for skilled workers, a demand that the college system is currently unable to meet. Why? Following a decade of pressures to do more with less, and facing unprecedented new challenges, Ontario's community colleges are poorly positioned to play the part they must play in provincial and regional economic success. Although colleges are Ontario's most efficient and accountable sector, our ability to function has been pushed to the limits. As boards of governors representing members of our community, we are concerned that Ontario colleges will be unable to meet the needs of our students and the needs of the province.

As chair of Fanshawe College's board of governors, I wish to present some of my concerns and the challenges the colleges face. In addition, joining me today are Keith Allen, president of Fanshawe's student union; Jordan Hobbs, president of Fanshawe College's alumni association; and Albert Brulé, vice-president of development and partnerships for Fanshawe College.

A major challenge for us as a board concerns funding. Without the necessary government funding to accommodate enrolment growth and to improve the quality of education offered by colleges, current and potential students won't get the education and training they need to complete in order to prosper and to contribute to Ontario's society. Over the past decade, provincial operating funding to colleges has decreased from \$7,552 per student in 1990-91 to \$4,379 in 2002-03. This represents a drop of 42%. Ontario government funding per full-time-equivalent student is the second lowest in Canada. This doesn't make sense to us as members of a board. This is happening at the same time as college enrolments have increased 34%. At Fanshawe College, enrolment has increased 39%. This is not a recipe for sustainable excellence, nor is it one for growth. The need for more per-student funding must be given a high priority.

We are also facing technological challenges. Colleges have reached their 35th anniversary. Today many colleges labour at trying to impart 21st-century skills with 20th-century resources. For some time now, due to lack of funding, we have deferred acquisition of new equipment and the replacement of obsolete equipment.

We can no longer do this if our education and training are to be current and in line with the needs of today's employers. We need to provide our students with learning facilities that make them knowledgeable on the equipment currently used by industry and business. This equipment is increasingly sophisticated and very costly.

In addition, we need to understand the importance of providing e-learning. The vastness of our country and the many roles of our learners, including family, employment and shift work, are simply incompatible with attending traditional post-secondary classes. Colleges must be able to keep up with the technological advances in on-line learning; our citizens demand it. This requires an investment in hardware, software and servers for success in this endeavour.

We also have space challenges. Many of our buildings were constructed 35 years ago. Due to lack of sufficient funding, we've had to defer many maintenance needs. In addition, we need to support the expansion due to the increased enrolment from the double cohort. Our classes are bursting at the seams. In fact, at Fanshawe, due to lack of classroom space, we've had to accommodate our enrolments in some of our cafeterias. By 2006, the peak of the double cohort, enrolment is projected to grow by 33,000, with an additional increase by 2010.

Another challenge is the staffing challenge. Projected retirements and downsizing over the past decade have seriously diminished the college's pool of qualified staff and faculty. This is happening at a time of spiking enrolment. Recruiting qualified staff will be a challenge due to the competition with other sectors with similar pressures. Colleges will require 7,114 new employees by 2006 to replace retiring staff and accommodate new enrolment. Colleges need highly qualified faculty to be responsive to the needs of industry and our communities and to ensure that students receive the teaching that enables them to learn and to be successful in their professions.

0910

As a board of governors representing our community, we ask that you reinvest in our colleges. Fanshawe College strongly endorses the call by the Association of Colleges of Applied Arts and Technology to the Ontario government to increase per-student funding to \$5,751 in 2003, an increase of \$1,372. If you do not, the consequences are many. Here are just a few:

The Conference Board of Canada has identified London as one of Canada's fastest-growing city economies. But an emerging skill gap in the workforce poses a serious threat to our region and to Ontario's competitiveness. We need to help with this skill gap, and colleges can do that. The Elgin, Middlesex, Oxford Local Training Board estimates that 32% of skilled tradespeople—that's about 85,000 people in the London region alone—will be over 50 years of age and near retirement. Colleges can help in this area as well. We can train the new skills required.

The Thames Valley District Health Council predicts a shortage in registered nurses due to the large number of

retirements, recruitments from outside of Ontario, and career changes due to the stress of the profession. Again, colleges can help in this endeavour.

Other regional developments point to the increasing demand for graduates from Fanshawe College and from other colleges. Seven new companies have recently announced plans to open in London, creating 1,300 new jobs. We can help in that area as well. Companies locate in London because of the training provided by Fanshawe College.

Forty-five regional companies have announced plans to expand, representing an investment of \$390 million and so many more new jobs. Up to 10,000 newly skilled jobs will be created over the next 10 years in the biotechnology industry as a result of London's leading role in this field. We again can help in this area.

Here are some of the occupational training that we provide at Fanshawe: tool and die, general machinist, industrial maintenance, industrial electrician, mould maker, manufacturing technologies; and also the training we provide in life sciences: nursing and allied health, medical radiation technologists, respiratory therapists, paramedics, pharmacy technicians and personal support workers.

Here are the consequences: without an immediate strategic investment in Ontario's community colleges, these growing skill shortages cannot be met. Ontario's economy will falter. We need to invest in colleges because this is an investment in our future. Without an investment in facilities and equipment, the future ability of Ontario colleges to support innovation and productivity for the knowledge economy is at risk. They will not be able to keep pace with industry demands to graduate technology-literate workers. Without an investment in new faculty and staff, training and professional development, the future capabilities of Ontario college personnel to deliver programs of value are at risk. They will not be able to meet the increasing requirements of learners, employers and our communities.

At this critical juncture, Fanshawe College urges the committee to recommend an immediate increase of \$127.1 million in the 2003 budget for Ontario's community colleges. Furthermore, we would ask the committee to recommend that the governments provide multi-year funding commitments so that Ontario colleges can adequately plan and budget for the enrolment growth that is projected to continue for the next 10 years or more.

Next I turn to Keith Allen, president of the Fanshawe student union, to present the student perspective.

Mr Keith Allen: As indicated, there are 10,500 students enrolled at Fanshawe College, including our satellite campuses. The major concern among all of our student union members is what will inevitably be the overcrowding of classrooms. There is an intense pressure already from our community to graduate qualified and competent students right out of college. Fanshawe has been very successful due to smaller class sizes and their hands-on approach. However, if class sizes continue to increase, we will sacrifice the quality of education for

quantity. We will lose precious face time with our professors, and there will be a decrease in student-teacher one-on-ones. Class sizes will steadily increase over the next seven years.

Without improved per-student funding, our college will be turning away an immeasurable number of students. These students being turned away may be our future business owners in our community, or perhaps they decide to choose London—or Ontario, for that matter—as their permanent residence. Whatever the case may be, we are faced with a condition which will not just affect Fanshawe College's viability, but will also affect the province of Ontario and London's prosperity.

In closing, Fanshawe College students deserve equality among all post-secondary institutions. The students of Fanshawe College would ask that you consider our proposal for the future of all students.

Thank you for your concern.

Ms Lucas: I'll now turn this over to Jordan Hobbs for a perspective from the alumni association.

Mr Jordan Hobbs: I'm here on behalf of the over 85,000 alumni from Fanshawe College who have graduated in the past 35 years. I'm here to show that the alumni board supports this presentation and the call for increased funding to Ontario's colleges for the future.

Ms Lucas: On behalf of Ontario colleges, and in particular Fanshawe College, I thank you, the members of the standing committee on finance and economic affairs, for the opportunity of this presentation. The case is clear. Without a major investment by the provincial government, Ontario colleges will not be able to educate and train the workers we need when we need them. We hope that you recognize the importance of colleges and will act accordingly.

Thank you for your time and consideration of our request.

The Chair: Thank you, Ms Lucas and gentlemen. We have about a minute and change for each caucus. We begin with the third party.

Mr David Christopherson (Hamilton West): Thank you very much for your presentation. Certainly Fanshawe has an excellent reputation. I'm fortunate enough to have Mohawk College in my riding, so I'm very familiar with the college system and the stresses that are on it.

I just want to review the numbers you've got here, because they're really hard to believe: \$7,552 per student in 1990-91; today you're at \$4,379. If you get a \$1,372 increase per student, it brings you to \$5,751 for 2003-04, but that still leaves you below universities at \$6,800 and secondary students at \$6,700. Those are accurate numbers?

Ms Lucas: They are. That is my understanding.

Mr Christopherson: How do we compare with other jurisdictions, notably other provinces and our main competitors in the US?

Ms Lucas: In Ontario, the funding per student is the second lowest in Canada, so we are deeply underfunded.

Mr Christopherson: I know my time is short, Chair. I just have to say that it's got to be somewhat em-

barrassing. When so much of your focus is on training and education and high-tech, for the minister to come from this community where this kind of crisis is going on has got to be somewhat embarrassing for the government.

The Chair: We move to the government.

Mr Rob Sampson (Mississauga Centre): Thanks very much for your presentation this morning.

You mentioned e-learning. Tell me how you would see that panning out in Fanshawe and whether you believe that has an impact on this per-student funding number that has been talked about by you and other presenters who have come before this committee.

Ms Lucas: Increasingly, we're recognizing the importance of e-learning to accommodate the many needs of our adult learners, including responsibilities in the job force, family responsibilities and so on. But we also know that the technology that requires us to put together effective e-learning programs is very costly. So in fact—I'm not sure if you're asking this—it's not necessarily going to save us money by doing the e-learning—not initially, at first.

0920

Mr Sampson: Many of the businesses that I've talked to that are interested in providing ongoing training for their employees—how much time, Chair? I've got to keep going.

The Chair: Quickly.

Mr Sampson: My point is this: I get some sense from talking to businesspeople that they would prefer the e-learning structure because it allows them to keep their employees on the site and productive. So when you talk about total costs, it's important to understand what the total costs to the economy are by taking people out of their employment, taking them to a college structure—

Ms Lucas: Those are excellent points.

The Chair: Thank you. We move to the official opposition.

Mr Steve Peters (Elgin-Middlesex-London): Thanks you for your presentation. You talk about a couple of areas that I think hit very close to home in London: the life sciences—we know the leader that this community is when it comes to medicine—and the gap that exists in the skilled trades. You talk about a third of workers being close to retirement, and the shortages in the life sciences area. You've identified it. Have the organizations—the hospitals, the factories—been speaking up? You're delivering the message, but perhaps the government needs to be hearing the message from the hospitals, from the Ford plants and the GM diesels of the world and say, "Look, we're concerned about what's going on." Have you tried to enlist any support from them to try to help hammer home your message?

Ms Lucas: We have. Probably we could do a much more effective job of that, so I take your recommendations very seriously. We are collaborating with the different organizations—the health care sector, the industrial sector—but I think we could be doing much more in trying to get our message across.

The Chair: Thank you for your presentation this morning. We appreciate your input.

ONTARIO ASSOCIATION OF OPTOMETRISTS

The Chair: Our next presenter is the Ontario Association of Optometrists. Welcome this morning.

Dr Judith Parks: Thank you. First of all, I want to comment that it's really nice to see some familiar faces around here—Mr Sampson and Minister O'Toole. Mr Christopherson, you may not know me, but I am a Hamilton resident, so I know you.

Mr John O'Toole (Durham): He'll soon be the mayor of Hamilton.

Dr Parks: I know.

Mr Peters: "Minister" O'Toole? That's got to be a church minister.

Interjection.

The Chair: Order. Please proceed.

Dr Parks: I'm from Ancaster, but I now I have to say I'm from Hamilton. I just say "Hamilton" now. It's easier.

Thank you, Mr Chairman and members of the committee, for inviting us here today. My name is Dr Judy Parks and I am the president of the Ontario Association of Optometrists. With me today is Barbara Wattie Fuller, director of policy and government relations at the OAO.

On behalf of the OAO and our members, we are pleased to have the opportunity to participate in the committee's pre-budget consultation process. Our presentation today covers three areas. First, it provides some background on the OAO, the important role our members play in Ontario's health care system and some recent initiatives we have undertaken to promote eye health in Ontario. Second, it outlines the current untenable situation in Ontario with respect to remuneration for optometry services under the Ontario health insurance plan. Finally, our submission demonstrates compelling economic reasons and public support for proceeding with a proposed regulatory change that extends the scope of practice for optometrists to include prescribing therapeutic pharmaceutical agents—what we call TPAs.

We have provided a package of information for your reference and we would be pleased to answer any questions at the end of our remarks.

First of all, I just want to give you a little bit of background. The OAO is a voluntary professional organization that represents nearly 1,000 registered optometrists in every region of Ontario. In addition to providing resources and continuing education to its members, the OAO is committed to raising awareness of optometry and educating the public about the importance of professional eye care.

Optometrists are front-line, primary eye care practitioners who are responsible for primary eye and vision care in Ontario. More than four million patients visit optometrists in Ontario annually for eye examinations

and treatment. In addition to assessing and correcting visual problems, optometric patient care also includes diagnosis and management of eye diseases like cataracts and macular degeneration and, with physicians, the eye problems related to diseases such as diabetes and hypertension.

The OAO actively raises awareness about the importance of maintaining eye health and the role that optometry plays in helping patients achieve a better quality of life, including partnerships with the Ontario region of the Canadian Diabetes Association during Diabetes Awareness Month and on Diabetes Day each November.

The OAO also partners with educators on the importance of eye examinations and good vision in schools. For example, the OAO is working with the Lions Club and the York Region District School Board to screen all junior and senior kindergarten students across all elementary schools in York region.

The OAO also continues to promote the importance of good vision in the workplace. As a province, the healthier the workforce, the more productive and successful our economy will be.

We hope that some of the committee members here—and I know that some of you did attend and were able to join us at our inaugural Optometrists on Sight MPP reception at Queen's Park in November, where we showcased some of these important initiatives.

I would now like to turn to the funding of optometry services in Ontario. I'm going to give you a little bit of background first of all.

In the past 10 years, the Ontario government's approach to the issue of funding for optometry services has been frustrating and ineffective in meeting the needs of patients and unfair to the profession. On several occasions the Ontario government, without any consultation with the optometric profession, has arbitrarily set annual budgets for payments of insured optometry services. The results of these imposed decisions have been predictable: the inadequate annual budgets have been considerably and consistently exceeded.

Currently, Ontario optometrists are operating without a signed funding agreement with the provincial government, the most recent of which expired almost three years ago, on March 31, 2000, and the optometric fees for OHIP-insured services are unchanged since 1989. That's almost 14 years.

For example, a minor assessment fee is frozen at \$19.25, and it no longer covers the overhead costs of optometrists. As an example of this, when a patient comes in for a minor assessment—and one of the most common ones we get is someone who phones up saying they see floaters or flashes—when someone comes in with those complaints, it will take us in excess of 30 minutes to do a proper examination to determine the cause of that. It requires us to use all the equipment in our examining room, so in excess of \$30,000 worth of equipment. The reason we need to do that is that we have to rule out and differentiate between whether the

complaint the patient has, the symptoms and signs they have, is a sight-threatening retinal detachment, which would have to be immediately referred, or whether it's a normal, age-related change that requires nothing but counselling; no referrals. So it takes us in excess of 30 minutes and we have to use all our knowledge, all our skill and all our equipment, and the fee we get for that is \$19.25.

While discussions between the OAO and the ministry have taken place at various times during the past three years on the development of a new schedule of benefits for optometry services, no agreement has been reached. Due to this lack of a funding increase for more than 13 years, a crisis situation has been created for optometrists with respect to acquiring and maintaining the specialized instrumentation necessary to provide an appropriate quality of eye care for a growing and aging population and for the residents of Ontario who require optometric services the most.

A visual field assessment is a good example of this. We use visual field assessments—this is a big instrument and it's to check your peripheral vision. We use it for the diagnosis and monitoring of glaucoma. It's also a test we use to assess the optic nerve function in the eye. If someone comes in with certain symptoms or complaints, or if something we see makes us suspicious of a brain tumour or a pituitary tumour, or if we suspect they may have had a stroke that affected their peripheral vision, this is an instrument that we use.

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The instrument costs in excess of \$40,000. It's called a visual field analyzer. We can either buy it for \$40,000 or we can lease it for just around \$600 a month. It is used several times daily by every optometrist in Ontario because we need it to rule out certain conditions. It also requires a trained technician, who costs around \$20 an hour, and the procedure takes about 30 minutes. For this service we are only allowed to bill \$19.25. So it doesn't even come close to covering the cost of the equipment, the staff time, the overhead and, on top of that, we do the diagnosis and interpret the results, for \$19.25.

In short, a new agreement for optometrists is long overdue. There is an urgent need to revisit the current fee schedule to ensure that fair and reasonable compensation is given for the professional services of optometrists. A recent survey of our members conducted by the OAO indicated that this issue is the top priority for optometrists across Ontario. The OAO remains committed to working closely with the ministry to find innovative approaches to expedite and implement a new agreement for optometrists.

What is the solution? Well, optometrists are in a desperate situation. We hope this committee and the Ontario government immediately review our funding options. As far as we can see, there are really only two options: first, to significantly increase the OHIP budget to allow for fair compensation. The second option is to allow for the private payment of some optometric services that are currently covered. Those are really the only two options we have to explore.

Next, I would like to talk about the scope of practice for optometrists. Under the current legislative and regulatory framework in Ontario, the scope of optometric practice includes the diagnosis and treatment of eye diseases. Optometrists, however, are currently not permitted to prescribe therapeutic pharmaceutical agents, or TPAs, as treatments for these diseases, despite being responsible for most of the primary eye and vision care in Ontario.

This limitation means that optometric patients cannot obtain the most immediate and effective care from their optometrist and they must be referred to an ophthalmologist or a general physician for treatment. As you are well aware, there is a physician shortage in Ontario. Extending the authority to prescribe TPAs to optometrists would help alleviate the demand on increasingly scarce physician resources by keeping patients who require TPAs out of physicians' offices and emergency rooms.

For example, if someone calls up and has an eye infection, what happens in my office now is that the patient comes in and I am obligated to diagnose the condition. What I have to do at that point is make a note to the family doctor or, if the family doctor is not available, if they are swamped at their office or their office is closed because it's after hours, then we have to refer the patient to a walk-in clinic or to the emergency room. What I have to do is write a note, tell them what the diagnosis is, what the treatment should be, and send them off for another consultation with another health care professional to get a prescription. The other option would be that they would come in, we would make the diagnosis, we would write the prescription and they would be able to go straight to the drug store and get the medication. It certainly would be a cost saving.

Optometrists are highly trained and have the specialized equipment needed to diagnose and to prescribe.

The use of TPAs in optometry is now allowed in six Canadian provinces and territorial jurisdictions. Those are Alberta, New Brunswick, Saskatchewan, Nova Scotia, Quebec and the Yukon. All 50 states and the District of Columbia allow optometrists to prescribe TPAs. This means that 96% of North Americans have access to prescriptions for TPAs from their optometrist.

Independent studies in Canada and the United States have indicated that costs to the health care system will not increase with TPA use by optometrists. In fact, findings of a recent public poll in Ontario revealed that there could be 120,000 fewer visits to the physician's office every two years, with resultant significant cost savings.

In addition to the fiscal benefits, there is substantial public support for allowing optometrists to prescribe TPAs. In April 2001, the OAO conducted a research study on the attitudes and opinions of the Ontario public toward the possibility of extending the optometric scope of practice. Fully 90% of respondents were confident, when optometric training and education was explained. Physicians were also surveyed, and many of those interviewed recognized that optometrists prescribing

TPAs would reduce their workload, provide faster access to care of the patient and reduce health care delivery costs.

In conclusion, the OAO believes that there are numerous benefits to both individuals and to the health care system in permitting optometrists to prescribe TPAs.

Minister Clement has instructed ministry staff to make a review of TPAs a top priority. Right now, stakeholders' input is being gathered and the process is expected to be completed in March. The OAO certainly appreciates the minister's attention to this issue, and we look forward to the findings.

In summary, as an organization committed to working with the government to determine the most efficient and sustainable eye care system, the Ontario Association of Optometrists believes the 2003 Ontario budget provides the government with an opportunity to demonstrate fiscal responsibility without compromising commitment to primary health care in Ontario.

We urge this committee, and through it the Minister of Finance, to adopt these solutions: first, develop a new schedule of benefits and budget for optometric services that recognizes the public need for eye care services and provides a reasonable level of compensation to optometrists for their provision; and second, support an amendment to the Optometry Act to include the controlled act of prescribing TPAs. In committing to these two solutions, the OAO is confident that the government of Ontario will enhance the quality of health care in Ontario and ensure the sustainability of government expenditures in the area of optometric services.

The Chair: Thank you, Dr Parks. We have just about a minute and 12 seconds per caucus. We begin with the government.

Mr O'Toole: Thank you for your ongoing education of us, the public servants, in the elected field. As you might know, I have had considerable interest in this, working with my local optometrist, Dr Karen McPherson—whom I just visited Saturday, actually; Dr McPherson was kind enough to see me on Saturday morning—and also with Darryl Workman. I've written on behalf of both of them to the minister. I'm quite aware of the decision to review the TPA. I'm confident that, along with the review of the schedule that's part of the OMA debate right now, the potential savings that you've identified of \$2.5 million with the TPA would probably be part of the solution to some extent, if we can recognize that the physician shortage issue can be helped through this measure.

What's the general feeling? I've asked both of the optometrists I've referred to what they felt, were all optometrists willing to adapt this new scope of practice discipline.

Dr Parks: All optometrists are willing, I think, to adapt. The biggest concern we have is the fact that we will take on the new responsibility and there won't be sufficient funding. Again we're back to the issue that we haven't had a raise in 13 years. So our biggest concern is that we're going to take on increased responsibility and

certainly liability without any increase in fees. If there's a corresponding increase in fees that's coming, I think there will be no problem and we'll embrace it.

The Chair: We'll move to the official opposition.

Mr Monte Kwinter (York Centre): Thank you very much. I had the opportunity of visiting your MPPs' day. I had a picture taken of my eye and I was really impressed with the whole situation.

I'd like to ask you a question. I appreciate your concerns about the TPAs. I think it's important that they have this. One of the areas that we have been hearing about for years in the House is the whole treatment of macular degeneration. The government announced with some fanfare that they are providing funding, yet I consistently get calls from constituents who say, "The funding doesn't apply to me. I go to see people. They say, 'Yes, you've got macular degeneration, but you're not blind enough to qualify.'" I don't understand that philosophy of, "Wait until you're blind, then we'll try to fix you," when there is an ability to do it preventively. Do you have any comments on that?

0940

Dr Parks: From my understanding, the funding that is in place was only put in place for a year and they had very limited criteria as to who was going to be covered. It is true that not everyone is. It is a fairly expensive procedure, as you know. Certainly in my office, when I send a patient for that treatment to McMaster University, where Dr Pat Harvey is—who does an excellent job—I can't tell a patient before I send them whether they will have to pay or whether it would be covered by OHIP. That is a problem. I have had patients of mine who have called me back after and said they have had the testing done to determine that they would benefit from the Visudyne, the photodynamic therapy that you're referring to, but it will cost them \$3,000 a treatment and they're unable to pay for it. My response to that is to tell them to let their MPP know.

Mr Kwinter: They do.

Dr Parks: Yes, they should.

Mr Christopherson: Thank you, Dr Parks; excellent presentation.

It seems incredibly inefficient, the whole process that exists now. A couple of thoughts come to my mind. One is, I'd be curious to hear what the rationale has been from the Ministry of Health over the years as to why they haven't done this. Secondly, when you refer a patient to, say, a general practitioner who then can write the prescription, do they have to do much the same that you've already done? Do they do a limited version? Do they just take your word for it? How does that work?

Dr Parks: I think every physician does what they feel comfortable doing. Some, I think, because they personally would know me—the ones I would deal with—may just take what I tell them at face value and write the prescription. Others probably, if it's a physician I don't know or I don't have a relationship with, probably would bring the patient in and have a look at the eye. So I'm not sure what the process is after they leave my office; I

don't think any of us really are. In some cases, though, they will certainly take what we write at face value and just prescribe that. Usually we see the patient afterwards. They go off, they get their prescription and then they'll come back and see us a week later to make sure it worked, or see us if it doesn't work.

Mr Christopherson: That's terribly inefficient.

Dr Parks: It has been inefficient for a long time.

The Chair: As a successful PRK patient, I appreciate the work you do. Thank you for your presentation today. We'll take that into account, of course.

SYDENHAM COMMUNITY CREDIT UNION ST WILLIBRORD COMMUNITY CREDIT UNION

The Chair: Our next presenter is St Willibrord Community Credit Union, of London. Please come forward. You have 20 minutes. Time left over from your presentation will be used for questions. Please state your name clearly for Hansard. Welcome.

Mr Richard Tjoelker: Good morning, Mr Chairman and committee members. The first order of business is to thank you for giving us the opportunity to be here today and to allow us to make a presentation. My name is Richard Tjoelker. I'm the CEO of Sydenham Community Credit Union. Harry Joosten of St Willibrord's is beside me. We regret that Mr Komsa from Windsor Family Credit Union could not be with us today.

I'm the representative of Sydenham Community Credit Union in southwestern Ontario. Just a few brief words of introduction. Sydenham was established in 1957. We have locations in Strathroy—which happens to be our head office as well—Parkhill, Mount Brydges, Lambeth and London. We have a membership of 8,775 members, we have assets of \$95 million and we employ 54 individuals. Sydenham is a full-service credit union offering personal, business and agricultural services, including savings, chequing, personal loans, mortgages, retirement products and commercial accounts.

Within our name we have the word "community," and that word is there for a very specific purpose. Sydenham is very involved in the communities that it serves. We do, on a regular occasion, high school presentations to prevent drug and alcohol abuse. We had the privilege of having Mr Chuvalo, the boxer, come to three different high schools in our area to speak to our young people about the effects of alcohol and drug abuse, and he was very effective. We sponsor local county agricultural fairs and events. We've had considerable experience and presence at the plowing matches held here. We sponsor local sports teams and cultural organizations. We are a benefactor for student education achievement awards. We make major donations to local hospitals. You're aware that the Strathroy Middlesex General Hospital is just going through a major expansion for its emergency and critical care, and we're a big part of that. We're also a member of the caring company, Imagine, and its corporate philanthropy program.

Credit unions in Ontario are very important. We are very different from banks in three major ways, in that we have a much different look at ownership, philosophy, and how we build relationships with the people we serve. Ninety per cent of credit unions are owners of Credit Union Central of Ontario, 203 credit unions belong to Credit Union Central of Ontario, and we serve over one million members, Ontario residents, representing \$12 billion. That's not to mention those credit unions that are not part of Central, such as the Civil Service Co-op. You can add another billion dollars if you include those and the caisses populaires, which are also not included in that number.

Credit unions are locally owned and operated and are uniquely positioned to respond to community needs. Credit unions are vital partners in community economic development. I'm pleased that a couple of years ago I was able to also present at the Premier's task force on community economic development.

Credit unions love to donate and to support charities. Credit unions enjoy consistently higher member-customer satisfaction ratings than the banks and other financial institutions. I refer to the Goldfarb report and the Acumen Research report. Credit unions get top marks for integrity and for caring.

Credit unions are especially recognized for their commitment to small businesses and entrepreneurs.

Credit unions thrive in small communities which may not be otherwise served by a financial institution. I'm sure you heard about 10 days ago that the CIBC in this area announced it was going to close another branch in the small town of Ailsa Craig, just north of Strathroy. We were pleased to attend a town hall meeting they had and we have given them every assurance we can that we will look very closely and that we will work with that community as well as we can to make sure that what they have lost is not just a privilege or a fancy. They have lost an integral part of their community, and that is the opportunity to do financing or banking within their small town and rural area.

We appreciate the opportunity to present four points. We think the timing of this is especially because of the budget that is being built as we speak. I think what we have to say today will form a serious part of that budget.

We have four items. There will be a discussion about a planned merger between Ontario Central and BC Central, and Mr Joosten will do that. There will be a discussion about the need for expanded networking partners for the credit union system, and Mr Joosten will do that. Then I'll come back and talk to you about the issue of collateral mortgages and the credit union system, and the deposit insurance premiums in Ontario.

I would like to take this opportunity now to introduce Mr Joosten.

Mr Harry Joosten: Thank you. I'm speaking from another set of points. You probably have them in front of you.

I represent St Willibrord Community Credit Union. As of December, there were over 40,000 owners and 13

branches across southwestern Ontario. Our 12th was in St Thomas, Steve Peters's home riding. Mr Beaubien, our newly refurbished Sarnia office has a grand opening on Saturday, which you know about already.

There are \$709 million in assets, another \$150 million under administration, 246 employees and, as of the last fiscal year-end, \$4.7 million profit, of which over half was returned to our owners and at least 3% invested back in the community as part of our community investment initiative. You can see that our branches spread right across southwestern Ontario. Our latest addition was in the town of Wingham, effective January.

In the next little slide you'll see a rather unusual organization chart where the owners, the customer-members, are at the top and the board of directors and the CEO are on the bottom, because it really is our owners who direct and control the credit union.

0950

Down to business: the major point we want to talk about today is the legislative requirements, the harmonization that we require in order to effect the merger of the financial divisions of the Ontario and BC Central credit unions. It's part of a national effort to simplify the system and go from a three-tier to a two-tier system, with this Ontario-BC merger of the back office operations as the starting point.

There are lots of benefits: economies of scale; providing more opportunities for individual credit unions to be stronger and more competitive; quicker decision-making; and increasing our ability to contribute to community economic development.

The credit unions in both provinces have already approved this merger 98%, a remarkable number when you consider the size and scale of the system in both provinces. What we need is harmonization of certain legislative elements between the two provinces. The Ministry of Finance is more than aware of what is required. It's been on the table for well over a year. As a matter of fact, I personally met with Steve Peters last summer, and Dianne Cunningham, Mr Johnson of Stratford and Elizabeth Witmer up in Waterloo. I know that other credit union representatives from across the province have been visiting people on both sides of the House, as a non-partisan issue, saying, "This is a relatively simple thing. We just need it to make it work."

We need action now. If it's not attached to this budget, it's going to significantly delay the whole thing. It's a big deal and we want to make it go.

As a matter of fact, we were both heartened and disappointed by the recent announcement of the sale of the Province of Ontario Savings Office. We know that you have the time, effort and flexibility to make a deal like that work with our co-operative brethren from outside the province. We hope and expect that you would display the same amount of time, effort, flexibility and responsiveness to make it happen this spring for the credit union system.

The second point is a secondary one: networking powers. Currently within the act there is a whole list of

business powers that credit unions have specifically with respect to networking. However, credit unions in Ontario have fewer options for networking than credit unions in other provinces and our federally regulated financial institutions. We need a level playing field in order to play fairly. It is a relatively simple thing to add to the current list of allowed potential network powers a phrase like "an entity providing any financial service activity." It's something that could be done relatively easily. It's still subject to all the regulatory and oversight requirements from the Financial Services Commission of Ontario, and we would certainly hope that you take that into account.

I want to repeat that the legislative requirements to harmonize certain elements of Ontario and BC legislation are paramount, and we really want you to pay a lot of attention to it this spring.

Mr Tjoelker: I would like to now address the collateral mortgage issue. As you are aware, the credit unions in Ontario operate under the Credit Unions and Caisses Populaires Act, 1994, known as Bill 134, and credit unions in Ontario are regulated by O Reg 76/95.

The issue is that credit unions in Ontario suffer a disadvantage to the chartered banks and federally incorporated loan and trust companies. Interestingly, other credit unions in Canada don't have this problem.

The interpretation of the Financial Services Commission of Ontario—I'll refer to it as FSCO—of section 57 of the act unfairly prohibits credit unions from offering a financial service/product. Section 57 of the act requires substantial amendment. Credit unions must be permitted to apply for an exemption from this unfair and unworkable restriction. Credit unions found to be offside today must not suffer regulatory action from FSCO.

The reason I bring this up is that it was not an issue under the credit union act prior to Bill 134, prior to 1994. The wording identified at that time did not make this distinction. I don't think this distinction was meant to be made. I think it was made in error by a clerical process that did not understand or did not appreciate the impact of the new wording of Bill 134. Section 83 of the old act did not discriminate against credit unions; section 57 of the act today does. So that's just an issue that needs to be worked on. It was not an issue until a couple of years ago, when FSCO looked at section 57 and applied an interpretation other than the interpretation under section 83.

It's an unfortunate thing. It's probably just an administrative thing, but we're going to ask you to pay specific attention to that.

Amend section 57 of the act to eliminate the restriction. The definition of "conventional mortgage" only refers to a 75% limit. We can fix this by creating a subcategory type of loan that can be secured by mortgages exceeding 75%. We don't want to touch conventional mortgage-writing; we just need to have another product that allows us to exceed the 75%. Allowing us to do that allows us to effectively compete with the banks under the federal act. Failure to amend section 57 is major. Credit unions will not be able to

complete with other financial institutions and credit unions would assume additional risks in their lending portfolios by not being able access available security.

The final issue of the day for the credit union system in Ontario is deposit insurance premiums. Deposit insurance premiums payable by credit unions to the Deposit Insurance Corp of Ontario, known as DICO, are significant costs to credit unions across Ontario. In fact, they are much higher than the insurance premiums paid by federally regulated financial institutions to the Canada Deposit Insurance Corp, or CDIC.

I have given you a schedule outlining the differences in the premiums and you can see that credit unions in Ontario suffer a much higher cost than do the federally regulated banks. It is imperative that DICO premium rates be brought more in line with the CDIC.

Gentlemen, ladies, I appreciate it. Thank you for your time.

The Chair: Thank you, gentlemen. That leaves us just about a minute per caucus, beginning with the official opposition.

Mr Peters: Gentlemen, thank you for your presentations. With the two issues you raise, the merger that Harry talked of and the collateral mortgages that you've just spoken of, Richard, is there a cost or a risk to the government in proceeding with either of those areas? There seems to be some reluctance on the government side. What risk or cost is there to government to have the merger take place or to amend section 57?

Mr Joosten: No direct cost at all. It's getting it through the red tape and the bureaucracy, because there's no real direct cost issue at all in the legislative environments. There are policy interpretation issues, but there's no direct cost. The reason we're bringing it up this morning is because the issue is urgent. It's been on the table for a long time, and we wanted to take advantage of this opportunity and the legislative oomph that goes with a budget.

Mr Christopherson: Thank you for your presentation. I'm a big fan of credit unions. I've been a member of one credit union or another since 1972. I haven't been out of debt since, but that's got nothing to do with the credit union.

The issue around the conventional mortgage or the 75%: could you just run that by me again? I didn't quite catch it the first go-round. What's the problem?

Mr Tjoelker: The problem is that credit unions under today's legislation cannot write a mortgage that works as collateral to another debt instrument. Normally, we would have the conventional mortgage that would go to 75%, and that was fine. If a member wished to have additional debt and had security in their home or had collateral value in their home, they could go to the credit union and say, "Lend me another \$20,000 and you can have the additional equity in my home as security." The way it reads today is that we can no longer do that. The really strange thing is, the act was rewritten in 1995; it was not a problem until about two years ago, when someone at FSCO looked at the writing of this thing and

said, "Wait a minute. Credit unions can't do that, because it says so right here."

If you compare it to pre-1995, everything was copasetic. The act was written properly; the guidelines were done properly. Not a problem. This is strictly a clerical error that needs to be fixed. We've had reluctance so far from FSCO to address it. They're going to credit unions now, saying, "You guys are offside."

Mr Christopherson: Why are they so opposed?

The Chair: Quickly answer that, sir.

Mr Tjoelker: We're not sure. We wish they weren't.

Mr Marcel Beaubien (Lambton-Kent-Middlesex):

Richard, Harry, thank you very much for your presentation. I don't really have a question except to recognize the good work you do in rural Ontario. I think you provide an awful lot of economic activity and you're certainly good corporate citizens. I also want it to be on the record that I support the changes you're trying to introduce. I don't know what the problem is. I have a sneaking suspicion, but hopefully we can cut through the red tape in the next short while and deal with those two issues.

Mr Joosten: Just responding to that, in one aspect you talked about the farm and commercial rural Ontario. This Ontario-BC merger will make it easier for credit unions to securitize loans, which will make it easier for credit unions to continue to provide lending and financing to small businesses, especially in rural areas. That's a challenge that both our credit unions face today.

The Chair: Thank you, gentlemen. We appreciate your input today.

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LONDON INTERCOMMUNITY HEALTH CENTRE

The Chair: Our next presenter is the London InterCommunity Health Centre. Welcome this morning.

Ms Michelle Hurtubise: My name is Michelle Hurtubise. I'm the executive director of London InterCommunity Health Centre.

Thank you, Mr Chair and members of the standing committee on finance and economic affairs, for granting me the opportunity to speak today on the role that community health centres are playing in our health care system and the need for sustainable funding.

The London InterCommunity Health Centre is one of just 55 community health centres that are operating in the province. All of them work in partnership with people who experience barriers to accessing mainstream health services. I'm going to talk a little bit today about the role that community health centres play in general and primary care reforms that have been discussed across the province, as well as some specific examples of the effectiveness that we feel we're playing here in London and some recommendations as to how we can play an even bigger role.

The strategic review of community health centres released in July 2002 indicated that community health

centres should play a strategic role in primary care reform, particularly for populations facing access barriers. The review found that they're an effective model of primary care delivery, and the London InterCommunity Health Centre is just one of those.

We serve over 7,000 clients from the hardest-to-serve populations in London: people living on very low incomes; people living with serious mental illness; immigrants who speak very little or no English; people without health insurance; people who are homeless. On average, our clients come to appointments with seven to nine critical health care issues, indicating a level of acuity and complexity that are not traditionally seen in a general family practice.

We provide service in 43 different languages, and we're not unique among many of the community health centres, which means that although we do use some translation dollars, that's not where our budget needs to go. We seek to employ people who speak many different languages. We work as a multidisciplinary team, working on the individual, family and community levels of health. This allows for a great breadth of case coordination to improve the continuity of care, and to ensure that physicians are not delivering very high-priced services that can otherwise be offered more appropriately by a nurse, nurse practitioner or social worker.

We promote broad-based strategies, such as our children's nutrition and learning program and Women of the World, which I'll speak to later, again addressing health issues on the broader determinants of health and not just what's happening in a doctor's office.

We have several examples of the effectiveness we've been able to play in our community in health care; for example, our health outreach for people who are homeless. One of our initiatives is around a dental care program based on the fact that homeless people are twice as unlikely to receive annual care and 25% have not seen a dentist in five years or more, compared with 8% of the general population. In our recent program, where we undertook some funding with the city of London to pay purely for dental services, we found that 83% of those 90 clients did not have a dentist, 67% were in severe pain, and 10% had such great difficulty speaking because of the level of abscesses in their mouths. They were not eligible for any other funding. This is a huge barrier in terms of them being able to get adequate nutrition and even being able to look for housing and employment, when that first impression, the state of their oral health, is all-important. Working with an oral health coordinator, that one-on-one-level work with community dentists, we provided services to close to 90 clients, with a 98% show-up rate. This is in a population that's known for a high rate of no-shows, to such a point that people often won't accept appointments for them because they rarely show up.

Last year we provided over 800 pieces of identification for clients to be able to access health care, employment and social assistance. This is a critical access point and a service that is a major barrier for

people to access care. If they're not accessing care, they're coming to emergency rooms with greater health issues than there really need to be.

We provide clothing and donations in partnership with Jockey underwear and Novacks clothing in the city, again providing front-line access to keep people from freezing. The health outreach team provided health care, social support, information and assistance accessing other services to over 1,400 people who were homeless in the city of London.

One of our most researched and evaluated programs that I think has some of most significant impacts around the effectiveness of health care is our Latin American diabetes program, which was the 2002 winner for the Peter Drucker award for innovation in Canadian non-profits. This program grew out of the recognition that Latin Americans in particular face a 10% incidence rate and a 40% lifetime prevalence for diabetes. This is four times the rate for Canadians in general. The estimated health cost burden for Latinos alone is \$33 million. This model of care, based on working with foreign-trained health care professionals, providing them with training, working as lay health promoters, not only provides employment opportunities and gets foreign-trained physicians and nurses back into our health care system, but also has a really high success rate in working with a very at-risk population.

This program in the last year has screened 12% of the 20,000 Latin Americans living in London, as compared to only one or two who had been seen at the diabetes education centre in the year previously. We deliver services at \$18 per visit, compared to the \$212 per visit per person at the diabetes education centre. The really significant thing is that this lower-cost service has seen an average 11% to 15% drop in HbA1c levels, which really is the gold standard of measuring the effectiveness of diabetes care. For each 1% drop in levels, there's a 12% decrease in cardiovascular disease. So this very cost-effective program is also delivering very effective health care.

We run a prenatal program. I think this is critical, in light of some of the recent news events that have happened, where very high-risk infants have been left exposed in Toronto; other high-risk deaths. We organized this way in response to some of the Jordan Heikamp inquest recommendations. So we have support half a day a week from a family physician, a nurse practitioner and a social worker, recognizing that many of our clients weren't accessing any prenatal care, which is a major indicator of low birth weight. We work with mothers who are considered high-risk because of their age, income, living conditions, substance use, mental health, status and other factors.

Our children's nutrition and learning program works with neighbourhoods in developing networks and structures which promote health. We develop structures that bring together generations—seniors and youth contributing to the improvement of the community. This program in the last year provided 450 students with an

average of a little over 3,000 breakfasts, 32,400 snacks and 16,200 apples in a school year. We know that kids can't learn in our education system if they're not provided with adequate nutrition, and many of the children from the community within which we work were going to school not fed because they didn't have food in their homes.

A recent study by Gina Browne indicated that community-based services are more effective and less expensive when they're proactive, comprehensive and aimed at reducing the inequalities in coping capacity and social resources that result in ill health. So part of the community health centre model really is looking at that whole continuum of services.

What are some of our barriers to success that we've encountered to continue some of these programs? For the past 24 months, our clinical practice has been closed to new patients, despite requests from, on average, 15 people a week for services. We provide health services to over 5,500 clients, with only two full-time-equivalent physicians, two nurse practitioners and three nurses. Again, this is the most high-risk, complex, acute-care health situation. Funding for a number of our programs, including the children's nutrition and learning program and the Latin American diabetes program, will run out within the next 16 to 18 months, so we're not going to be able to continue that kind of work that has a real impact on reducing health care costs elsewhere in the system.

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Salaries have also been frozen since 1992 for all staff, and this is creating significant problems for recruitment and retention. Just as one example, our nurses' top of scale is \$52,000 per year, compared to \$66,300 per year in a hospital. Our nurses receive less extended health care benefits, less access to professional development dollars, and are not paid for overtime. That's just one position. The Hay report from 1999 indicated that salary inequity ranges anywhere from \$15,000 to \$50,000 for a number of our professional and managerial positions. This lack of competitive funding makes it increasingly difficult to recruit physicians, nurses and nurse practitioners, which impacts on our ability to deliver services. I have physicians and nurses who are very interested in working in community health centres, but I don't have the funding positions, and even when I do, they're not willing to take the salary cut to do this kind of work.

The health of our clients is also impacted by other socio-economic conditions, including the lack of affordable housing and lack of access to medications. Last year we spent over \$20,000 on medications for clients who fell through the various systems and weren't eligible for Ontario Works or Trillium funding; the threshold was too high for them to meet. For a number of our clients, the levels of Ontario Works and the Ontario disability support plan have been frozen since 1995, but the cost of housing, food and transportation has gone up every year, creating an increasingly intolerable situation for them to address some of their health conditions.

According to the strategic review of community health centres, we are cost-effective. We write fewer prescrip-

tions. We have lower emergency room use by our patients. We use health promotion, which reduces other health strategies. We work in partnership with the community to address their broader community needs. Our costs are more easily contained: rather than a fee-for-service model, all of our staff, including our physicians, are on salary, so there's a recognized funding piece.

In terms of our recommendation, we would like recognition that family health networks and community health centres both have a role and meet different needs in primary care reform and should be supported. We'd like to see an increase in the size of existing community health centres and an approval of the salary increases to bring us in line with the rest of the health care sector to have a greater stability in our turnover and retention. We'd also like to see a CHC expansion for new centres and satellite operations. We believe this is one of the ways we can effectively meet some of the needs in underserved areas and communities across the province.

The association of community health centres estimates that to bring existing centres in line with the recommendations of the strategic review will cost \$5 million to meet the salary catch-up costs and an additional \$30 million to meet the other recommendations, such as technology, IT services, improved 24/7 coverage, including expanded hours of service, expanded health promotion and disease prevention, and enhanced organizational and infrastructure capacity.

While these increases are needed so that many of our clients can receive primary health care services, we also believe that they won't achieve optimal health status unless some other conditions are also addressed in their lives, including increased access to affordable housing, increases in the level for social assistance and disability support, and improved access and bridging to medication coverage for the working poor.

I thank you for your time today and will take any questions.

The Chair: Thank you, Ms Hurtubise. That leaves us lots of time, by comparison, about two minute each. We begin with the third party.

Mr Christopherson: Excellent presentation; thank you. I have a couple of community health centres in my riding, so I know the impact they have and the difference it makes. To start, the salaries and your inability to attract skilled people to work there—obviously, you're up against a number of things. You don't have the same money that others have to offer, but also you're trying to hire in an area where there are acknowledged shortages, and we've got projections that show us that those shortages in the future are going to get even tighter. Where are you if you don't get some relief on the salary front to attempt to deal with the other two areas? What happens if, literally, you can't hire enough nurses, doctors and other professionals?

Ms Hurtubise: That's one of our biggest challenges. As I said, our clinical practice has been closed for the past two years. We're turning people away. While we are

the first choice for many people, we're often the last resort for others who have been denied services from other family physicians because they're just too labour and resource intensive; they'll continue to increase emergency rooms. Because we don't have adequate physicians or mental health counsellors, we have individuals who have been accessing emergency rooms three or four times a week. That's a small percentage. We manage others with serious mental illness.

I have a vacancy for a family physician working with our homeless outreach. It works great. If I have one physician, I can have three nurses and nurse practitioners providing services around that physician, which means that I need less physician hours to be able to deliver three times as many services. So I don't need a lot; I just need a little bit.

Mr Christopherson: And as Councillor Andrea Horwath of Hamilton notes, getting the right person isn't necessarily going with the highest-priced help, meaning that you don't always have to have a doctor to have the right person, looking at what your needs are.

Ms Hurtubise: Not at all. Most of the health status monitoring for some of our complex-care clients can be done quite effectively with nurses and nurse practitioners. For me, the recruitment issue isn't as challenging as being able to offer competitive salaries. I have people who are approaching us and who want to work with us—and it's fair enough; they don't want to take a \$15,000, \$20,000 or \$25,000 salary cut to be able to do this kind of work. But they are interested in working with us and with our clients.

Mr Christopherson: That is exactly where I wanted to go next: to talk about the reception you're getting in the community. I know that in the area of public health, for instance, there are more and more physicians who are seeing public health as the area they want to get involved in, and this is a good thing for the public. In the past, it was seen as a poor cousin in the medical field. Is it pretty constant across the board that you have a lot of people coming up through the professions who are saying, "I'd like to work in a community health centre rather than private practice or in the headline kind of places"?

Ms Hurtubise: It's interesting that when we did a survey looking at services for northeast London and trying to decide whether a family health network or community health centre would work, over 65% of the first-year residents who were surveyed said they'd like to work on a multidisciplinary team and on an alternative to fee for service, and they are really interested in working in this kind of environment. That was really exciting to us.

We have 50 first-year and second-year medical students who make lunch four times a month for our children's nutrition and learning program. They're really excited about what they're doing and the potential they'd like to see. A lot of them then don't choose us as a resident placement because of the limited opportunities. Most community health centres only have, on average, two to three funded physicians. Once physicians are

there—often they're working part-time with us and part-time in a private practice—they're not leaving.

The Chair: We move to the government. Mr O'Toole.

Mr O'Toole: I've had the privilege of speaking and in fact meeting with the CHCs and have a lot of respect for them, as I know our government does. I think Minister Clement has made it very clear that the family health network model, which is a collaborative health model, is one of the options. But he has also included the CHCs in that primary care model, and I'm pleased with that. The commission study that was released in 2002 confirms that.

I think you're at a crossroads, not just in light of Kirby's and Romanow's reports accenting the importance of primary care and community relations, as you've described them. I commend you, but I think there's more work to be done to make sure the public pressure you represent, and we do as well, is there so the struggle between the OMA and the other custodians of health care does change the culture. That's where we are, really. Not to blame someone, but there are traditions, and traditions have respect. There is a lot of support for international physicians being recruited, trained and licensed here—foreign-trained physicians, you might call them—and also for the nurse practitioner role, which is just burgeoning in my area.

You mentioned the inequity of pay, and of course you hear that between long-term care and hospitals, community care and hospitals, access to care centres. The doctors in community care are actually paid a salary. That's the difference: no fee for service. What is the salary for a typical physician, a family practitioner, in a community health centre?

Ms Hurtubise: My top of scale for a physician not in an underserviced area is \$117,000.

Mr O'Toole: And all their supports are supplied, right?

Ms Hurtubise: All their supports are supplied.

The Chair: We move to the official opposition.

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Mr Peters: Thank you for your presentation. I too have a community health centre in my own riding in West Lorne, and they're in to see me regularly. It's amazing the role that they do play in the community in a lot of different areas beyond just health, and it's important.

When you read this little presentation you've put together here, it's interesting to see the CFO of St Michael's Hospital, John King, talking about community health centres, yet when Mr King was the Assistant Deputy Minister of Health, the strategic review sat on the minister's desk. So maybe Mr King has seen the light. I don't know, but I kind of chuckled when I saw John's picture in there.

The question is, why has this strategic review dragged? It gets initiated in 2000, it gets submitted in 2001, and finally somebody responds in 2002. Yet they really haven't responded to it. I know, in talking to Doug in West Lorne, the review points to the important role that you play. Where is the reluctance? Is it within the

Ministry of Health? Is it within the medical community? Who's balking at allowing the community health centre model to expand?

Ms Hurtubise: I think that's a really good question and one that community health centres would like to have clearly answered as well, because we were asking for the release of the strategic review for a year before it was released.

From our perspective, some of the challenges that we've heard about our model is that, as a community governance model where we have a board of directors to whom all of our staff are accountable through the executive director, that is a model that poses some challenges apparently for the medical community. However, I think it is an important accountability mechanism that the community has ownership over community health centres, and that really drives a lot of the strength of them.

I'm not sure where the other resistance is, because survey after survey of family physicians has said overwhelmingly that they would like to support and work in this model if there was support and incentive for them to do so. That is, they like not being the only provider who's responsible, particularly for complex-care clients. They like and approve of a model that they don't feel they have to rush people through in three to five minutes when there's a lot of health care needs. They like that there are other staff who speak different languages so that they don't have to work through an interpreter and that somebody else can provide the services, and that when they have a diabetic who's in front of them and they're trying to get control over their diabetes, they can work with the social worker and community worker to ensure that this person is getting the food supplements they need, rather than not eating or eating poorly because they can't afford anything else.

The Chair: Thank you, Ms Hurtubise. We appreciate your input here today.

ONTARIO SCHOOL COUNSELLORS' ASSOCIATION

The Chair: Our next presenter is the Ontario School Counsellors' Association. Please state your name clearly for the record, sir. You have 20 minutes, as you probably have seen from your observation. Welcome.

Mr Phil Hedges: Good morning. My name is Phil Hedges. I'm the executive director of the Ontario School Counsellors' Association. That's a voluntary, professional association made up of guidance counsellors in the elementary and secondary public, Catholic and private schools across the province. I thank you for the opportunity to appear before you today.

Many presentations before me, particularly those dealing with education, have stressed the lack of coherence between the province's vision and the ability of schools to achieve that vision. Even the most carefully thought-out policy is of no value if it cannot be implemented. That reality is glaringly apparent in terms

of guidance and career education in both the elementary and secondary schools in Ontario.

As part of secondary reform, Ontario introduced a new guidance and career education program policy, Choices into Action, in 1999. Prior to that, 20 hours of guidance classroom instruction was mandated for all students in grade 7 and again in grade 8. It has been estimated that at that time, 60% to 70% of Ontario elementary school students had access to and were taught by qualified guidance counsellors.

Choices into Action—the new policy—includes specific competencies that students are to achieve by the end of grade 6, by the end of grade 8 and by the end of secondary school, but it does not include any reference to a minimum amount of guidance instructional time. Staffing for elementary guidance, as outlined in the funding formula, is based on a ratio of one counsellor for 5,000 elementary students. That allocation is not protected. District school boards are free to use those funds in other areas, and indeed they do. Most boards have totally eliminated elementary guidance counsellors. In 2000-01, 74% of Ontario district school boards had no elementary guidance counsellors. Boards that had developed exemplary elementary guidance programs prior to the introduction of Choices into Action have slashed their staffing, and consequently their programs, quite dramatically. In the Waterloo Region District School Board, elementary guidance staffing has been cut by 67%; in the Toronto District School Board, staffing was cut by 63%.

In the United States, where comprehensive guidance and career education programs like Choices into Action are common, the guidance staffing ratio in grades 1 to 6 is one counsellor for 594 students; in grades 7 and 8, one counsellor to 387 students. In Newfoundland, it's 1:500. In Ontario, on paper, in the funding formula, the ratio is one counsellor to 5,000 students. In reality, according to data from the ministry for the school year 2001-02, the actual ratio was 1 counsellor to 7,678 students.

Introducing a new, comprehensive developmental program for all students in all schools while at the same time providing staffing at a staggeringly low level and, in fact, giving boards permission to use the funding to meet other needs if they so wish is a glaring example of the type of incoherence others have noticed.

Who needs elementary guidance counsellors? What do they do?

Elementary guidance counsellors monitor the progress of all students and are in a position to intervene directly or to refer to others when they discover students who are at risk of falling through the cracks for any one of an increasing number of reasons.

Counsellors are often the first to identify students who are struggling in several subjects, students who are having difficulty coping with personal and family issues, students who are victims of abuse and neglect, students who are engaged in risky behaviours, students who are not ready to learn. Counsellors are in the best position to work with the whole staff for the benefit of the whole

student. Counsellors are trained to recognize symptoms, to provide direct service and to refer to appropriate supports both within the school and within the community.

Elementary counsellors could play a major leadership role in implementing Choices into Action and many of its components, including providing career exploration activities and coordinating the teacher adviser program.

Counsellors facilitate students' transition from one elementary school to another and from elementary to secondary. Research continually reminds us that students who change schools often are at higher than normal risk of eventually dropping out. Students who don't fit in quickly and who don't feel safe, secure and valued are at significant risk of not succeeding in school. Counsellors could develop and coordinate programs to support such students as well as preparing them for the transition to the next step in their education.

Elementary counsellors are familiar with the curriculum in secondary schools and can provide information and support to students and their parents in choosing appropriate programs and courses. The fact that we are experiencing a significant failure rate in secondary school applied courses can be traced, in part, to the fact that many students are making inappropriate choices without having had the benefit of the knowledge and expertise of elementary counsellors.

Many presentations to this committee have reiterated the recommendation of both Dr Mordechai Rozanski and Dr Michael Fullan that we must move to an integrated system of providing services to school-aged children. The Ontario School Counsellors' Association is a member of the Ontario Healthy Schools Coalition and is committed to a healthy schools approach. If we really believe it takes a whole village to raise a child, we must put structures in place that will allow the village to enter the school and to work with staff and individual students. Guidance counsellors are uniquely trained to coordinate that work.

It is tragic that although we are increasingly aware of the potential impact of issues such as violence, bullying, eating disorders, risky behaviour, stress and suicide, the ability of schools to deal with these issues continues to be reduced because there is no staff to assist in the delivery of appropriate programs and strategies.

With respect to elementary guidance, we therefore recommend that the funding formula allocation for elementary guidance teachers be protected to guarantee that funds allocated for guidance teachers are in fact spent on providing guidance teachers. We further recommend that the allocation be increased to provide a minimum of one half-time guidance counsellor in every elementary school.

With respect to guidance in the secondary schools, the situation is again problematic. Prior to the introduction of Choices into Action and the funding formula, secondary guidance staffing was negotiated independently in each school board. With the introduction of student-focused funding, funding was provided for one counsellor for

every 385 students. It's important to note that this allocation was not related to research on staffing required for effective programs and was in fact a cut from previous levels.

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Boards have permission to use the funds allocated for guidance in some other area if they so choose and, again, many boards have chosen to do so. In the 2000-01 school year, according to variance reports on the ministry Web site, eight boards have underspent by over \$1 million in the area of guidance and library. One board has underspent by over \$10 million.

Some schools in this province with close to 1,000 students have only one counsellor. There is no equity of access to high-quality programs and services. In fact, with 1,000 students and only one counsellor, it is impossible to deliver a program to all students. One can only provide responsive services to those who seek them out and are patient enough to wait.

In the United States, the ratio is one counsellor for 338 students. In spite of the fact that funding is provided for one counsellor for 385 students, according to ministry estimates in Ontario in 2000-01, the actual ratio was almost one to 500.

It's interesting to note that Dr Rozanski recommended that where small schools are kept open, the funding formula should be amended to guarantee a minimum level of staffing, including a full-time guidance person. Presumably his intent was that schools with fewer than 385 students should still have a full-time counsellor, yet at the moment there is no such guarantee for larger schools.

It is clear that near the end of the fourth year, implementation of Choices into Action is uneven at best. In many schools, the teacher adviser program has all but disappeared. Annual education plans are not being completed. Program advisory teams, designed to provide a strong link between the community and the school, are very rare. This reality is especially unfortunate when we consider that program advisory teams could be extremely useful in ensuring an integrated approach to providing community-based supports and services for secondary school students and their families.

As Dr Rozanski pointed out, a system of integrated services would go a long way toward helping schools meet student needs. Establishing a cabinet-level advisory council to encourage collaboration and coordination of such services and funding is a good start but there must be in-school staff to coordinate those services and to ensure coherence between policy and implementation.

Guidance counsellors could play a leadership role in the design and effective implementation of comprehensive, developmental whole-school guidance and career education programs that are designed to meet the needs of all students. Guidance counsellors could provide leadership in the teacher adviser program.

We know there are large numbers of students at risk who have no access to support. We know there are many students whose readiness to learn and ability to succeed

is seriously impeded by issues that, if detected and addressed early, could be resolved. Guidance counsellors know how to identify those students before they fall through the cracks, before it's too late.

There has been, quite justifiably, a renewed emphasis on career education in our schools. Every course has a career component. Guidance counsellors play a critical role in ensuring that students and teachers have access to quality programs and resources that promote the belief that all destinations have value and ensure that all students have many opportunities to explore a wide range of career opportunities, whether they plan to go directly to work, to enter apprenticeship programs or to attend college or university. Guidance counsellors teach students the skills they need to research their many options and to make informed decisions about their future.

Among the many pressing issues in secondary schools, we should all be very concerned about Dr Alan King's prediction that close to 25% of students who begin grade 9 will drop out before earning a diploma. We know that by 2004, more than 70% of all new jobs created in Canada will require some form of post-secondary education and that only 6% of new jobs will be held by those who have not finished high school. Sadly, in spite of all that we know, guidance staffing in secondary schools continues to deteriorate. We cannot allow students to drop out, to disengage, to fall behind, to fall through the cracks. We must ensure that all students are able to achieve success.

We therefore recommend that the allocation for secondary guidance teachers be protected in order to guarantee that funds allocated for guidance teachers be spent providing guidance teachers. We further recommend that the allocation of 2.6 guidance teachers per 1,000 students be increased to 3.3 counsellors per 1,000 students.

We have appeared before, or made a submission to, this committee for three years in a row. We have presented to the Education Equality Task Force. We have brought our concerns to the Ministry of Education and have repeatedly requested a meeting with the minister. To date, we have seen absolutely no indication that these concerns are being taken seriously. We respectfully submit that you have the responsibility to act and you must do so quickly. The future of our students and indeed the future of our province are at stake.

The Vice-Chair (Mr Ted Arnott): Thank you very much, Mr Hedges, for your presentation. We have some time for questions, and I'll turn first to the government side.

Mr Sampson: Thank you very much for your presentation. Just to boil it down to two points, if I can, both on the elementary and the secondary side I think the message is the same. The money that's allocated by the funding formula, you said to protect. One, I'm assuming that means make to sure somehow that it's spent in those categories, and two, it's not enough; it needs to be increased. Is that a fair summary of—

Mr Hedges: Yes, that's a pretty good summary, and I think that's been our concern since the introduction of the funding formula. It's one thing to have an allocation, but if you're spending that allocation somewhere else, that's not helping.

Mr Sampson: I suppose one of the advantages of the funding formula is that it certainly identifies the fact that there has been this allocation of money that hasn't gone there. That's been one helpful thing at least of the funding formula. You might argue it didn't give you enough, but it certainly has been helpful.

Mr Hedges: That's true, and it certainly provides evidence. I do recall a conversation when Minister Ecker was Minister of Education. When I suggested we really need to make sure the money is being spent where it's allocated, her comment was, "We need to ask people what they're doing with the money."

Mr Sampson: What are the things we can challenge your profession to do to help demonstrate its impact on the association with the students? One of the ways in which to challenge people who spend money is to say, "If you spend it, these are the results you'll get." So what are the results you could get that you could sort of dangle or hit over the heads of the various boards and say, "That's why therefore you need to spend the money?"

Mr Hedges: I think in the secondary schools the most obvious result you would see from a more realistic staffing level and guaranteeing the staffing is that we would be in a much better position to implement Choices into Action and to implement it fully. This document, Choices into Action, is one of the best guidance and career education programs in the world. The difficulty is, we can't implement it because we don't have staff and we haven't had consistent staff.

Mr Sampson: But what does that—

Mr Hedges: What does that mean?

Mr Sampson: Can I boil that down for the person who might be reading this—

Mr Hedges: OK, I'll give you a current example. In the past, in my high school, for instance, every year before mid-term reports came out, or even before informal reports came out, we would connect with the teachers and we'd see who's at risk. When a report came out, we would check to see who is not doing well, who is struggling. We would then speak to those students individually and see what strategies might be available, who in the school might be able to assist them, are there other issues and so on. We could be proactive in those kinds of things.

The Vice-Chair: I've got to move on to the Liberal caucus.

Mr Peters: Welcome to London. I have a couple of comments. The first presentation we had this morning was from Fanshawe College. One of the areas they identified was the huge shortfall in people entering into skilled trades, a shortfall in people entering into life sciences programs. Is there some linkage between not having somebody in the school from a guidance perspective trying to help a student figure out what his or

her career choices are and what we're seeing in the community colleges right now as to a shortfall of people entering into those programs?

Mr Hedges: I think there's a connection. I think it's fair to say that the most common destination in terms of what parents think their kids could or should be doing—parents are still thinking that their kids will all be going to university. The belief is that university is the prize. We need to maintain the belief or spread the belief that all those destinations have value. We need to encourage students to explore college, to explore apprenticeship, to explore direct school-to-work opportunities. I guess part of the difficulty is that's time-consuming. We need to make sure that we're spending as much time on all of those options as we are on one or two of the options.

Our association is working closely with Skills Canada—Ontario. We work with the colleges, we work with the universities. We are planning a focus at our upcoming conference on apprenticeship and skilled trades. We are consciously doing everything we can to make sure that students are aware of all the opportunities available to them.

Mr Peters: I find it disturbing that you've been trying for three years to get a meeting with the minister and you have yet to have that meeting granted.

When you talk about the allocation not being protected, are you suggesting that those dollars allocated to school boards for programs such as what we're talking about right now have strings attached to them?

1040

Mr Hedges: Yes. I think the reality is that there is a tremendous inconsistency from school to school across the province. There may be one school with 1,000 students that has three counsellors, and the next school has one counsellor and 1,000 students. You can't run the same program. I know that boards are pressed—there are all kinds of demands on their money—and I know there is an indication that funding will increase, but I'm not convinced that if funding increases or is restored, boards will then restore guidance staffing.

The Vice-Chair: I'll turn now to the New Democrats.

Mr Christopherson: Thank you, Mr Hedges, for your presentation.

I want to pick up on the last point you touched on, and that's the issue of the boards and their decisions around the money made available. I was pleased to hear you say that the boards have been facing a lot of other pressures, because I would find it hard to believe that every board in Ontario is just so callous toward the future of the students that they are just going to wipe you guys off the map because you're not important. The fact of the matter is, those elected trustees—and, I say parenthetically, where trustees are still allowed to democratically hold their seats, unlike in Hamilton, where we have a dictator handed to us by the minister—are facing heart-wrenching decisions because there's just not enough money to go around. They've been left, whether we agree or not with ultimate decisions, with a choice not between good and bad and positive and negative, but terrible and horrific.

That has led them to make decisions not only in your area of expertise but in a whole host of areas in education that are equally important. But when you're looking at the fundamentals, these decisions are being made.

Would you agree that's the scenario, or do you really think there's a total misunderstanding on the part of trustees as to the value that you perform and that they are making wrong decisions?

Mr Hedges: I wouldn't underestimate the trustees' ability to realize the importance of good guidance programs, but you're right: the funding is a significant issue and there are many, many areas of great need. As a result, some areas are being cut, and some areas are cut more frequently than others.

Mr Christopherson: I raise this because one of the government members did it, and they do this a lot: they'll say, "See, there's the problem. We can't trust those people we transfer the money to, those trustees. We allocate the money for guidance counsellors and they turn around and don't give the money out. Therein lies the problem." You've got to take at least one more step beyond that and acknowledge that the reason they've made these decisions is because—

Interjection.

Mr Christopherson: Will you be quiet? It's because if they don't make those decisions, then something that's even more important to the children's learning is going to be affected, at least in their case. That point has to be made over and over.

But even if the government had the money allocated and we let something else suffer, your document is saying that at the end of the day, the reality is that we have one counsellor for 7,678 students. In effect, they don't have a counsellor really, do they?

Mr Hedges: That's right.

Mr Christopherson: You can't possibly manage that many files.

Mr Hedges: No.

The Vice-Chair: I'm sorry I have to cut this short to some degree, but you have had your allotted time. I want to thank you very much for your presentation and assure you that our committee will take your views very seriously and take them forward.

INTERFAITH SOCIAL ASSISTANCE REFORM COALITION

The Vice-Chair: Our next group is the Interfaith Social Assistance Reform Coalition, if representatives from that group would come forward now. Welcome to the standing committee on finance and economic affairs. I hope you will introduce yourselves for the purposes of Hansard.

Rev Brice Balmer: Hugh Tilley represents the Salvation Army and comes from Jackson's Point, or York. Jeffrey Brown represents the Universalist Unitarian Fellowships and comes from Mississauga-Peel. I'm Brice Balmer and I come from Kitchener-Waterloo,

Waterloo region, and represent the Mennonite community.

We have a document that you have, and at the back of the document it describes ISARC, or the Interfaith Social Assistance Reform Coalition. We'd like to read through it. It's a part of our ongoing discussion which we have had with staff, with the various parties, and also now here at the pre-budget hearings.

Hugh will start off our comments.

Mr Hugh Tilley: Good morning. I believe you all have copies of our presentation, and I will read it accordingly.

The Interfaith Social Assistance Reform Coalition was born as Ontario was preparing Transitions, the 1986 report of the Social Assistance Review Committee. As members of faith communities, we come together advocating for those who are often forgotten in the budget-setting process.

As faith communities and through social agencies supported by religious organizations, we have heard the ever-increasing pleas for help from, first of all, people with no place to call home; children living in poverty who are relying on food banks; people with disabilities who are having difficulty securing benefits; working people who cannot earn enough to support themselves or their families; and ill people who cannot afford prescription drugs or professional care in their homes.

Increasingly, our religious leaders are hearing more and more calls for help. Increasingly, our faith community members are responding more and more to the immediate needs of their neighbours and communities. And increasingly, leaders and members are becoming more impatient with what appears to be the unwillingness of governments, which remain indifferent to the needs of economically and socially marginalized peoples. We remain deeply troubled by the profound insecurity many vulnerable people experience every day on our streets and in our neighbourhoods. We believe the true stature of our society is not measured by how we treat those who are perceived to be successful, but rather by the degree we are prepared to safeguard and ensure the inclusion and contribution of these, the forgotten ones in our midst.

For the religious community, the foundational values that need to inform the choices we make as a society are as follows: human dignity; mutual responsibility; economic equity—for example, access to work, fair employment conditions and adequate income security; social equity—for example, access to basic resources and participation in community decisions; and finally, ecological sustainability.

Rev Balmer: Therefore, we believe the provincial budget needs to address the following concerns:

(1) An increase is needed in shelter allowances for those in receipt of social assistance to more adequately reflect the true cost of renting accommodation. While social assistance has remained frozen since 1995, rents and food costs have increased significantly. Regional and municipal governments have now written to the Premier asking that social assistance be increased because

recipients can no longer pay the rent and provide a nutritious diet for themselves and their children. To pay the rent and feed the kids is no longer possible for those on social assistance.

(2) Early childhood education and child care are important since many families with younger children now have both parents in the workforce. Other parents need quality child care in order to obtain training and seek employment. The federal government is releasing the additional monies that have been promised now to the provinces for child care. We request that the government use this money to increase quality child care and that the provincial government add its own monies for Early Years and other programs for parents and children.

(3) Many Ontario residents are among the working poor because part-time and contract jobs have increased. These workers need an increase in the minimum wage and better income security. The working poor need increased provincial benefits because employers do not need to pay above the statutory benefits to part-time workers and contract workers. With decreased eligibility for employment insurance over the past 10 years, part-time and contract workers have suffered.

(4) The rights of people with disabilities to benefits under the Ontario disability support program need to be assured. The process to obtain assistance and to receive equipment and aids has become very complex. Many are eliminated in the process of applying. Any Ontario resident could become disabled through accidents, illness and other tragic circumstances. We as a society need to adequately fund this program so that people are not victims of tragic circumstance and illnesses and then become victims of the ODSP process. ODSP basic and shelter allowances have not increased since 1995. ODSP recipients find it difficult to find housing that is accessible, affordable and also where the appropriate care is provided. Shelter allowances need to increase to reflect average rents in a community, or the province needs to allocate funding for the production of affordable housing.

(5) People who are ill cannot afford the medications they need. Some medications have been delisted from the Ontario drug benefit program. The working poor and those on social assistance cannot afford to pay from their income. Many families are struggling to provide home care for relatives who are temporarily or permanently housebound. In addition to possible federal monies for health care and home care, we request that the provincial government increase home care services, especially for those who have limited incomes.

1050

Rev Jeffrey Brown: (6) Affordable housing units are drastically needed in Ontario. Shelters only temporarily help people who are homeless. Faith communities have operated many shelters as well as the Out of the Cold programs in many of our Ontario cities. Volunteers in these programs are burning out.

The answer to homelessness is affordable housing. Though the current government has attempted to attract investment from the private sector, it has not been

successful. Throughout Ontario there are only a few examples, with minimal units, of for-profit ventures that produce affordable housing.

The spirit of the affordable housing framework agreement was clear. The new affordable housing program was to be cost-shared between the two senior levels of government. While the agreement does allow provinces and territories to claim contributions by municipalities as part of their share, the intent of the deal was to create a federal-provincial partnership. We ask the province to match the federal government dollar for dollar. This would be an increase to \$222 million, since the current provincial contribution is only \$20 million.

During the past eight years, the wealth of our province has increased. The gap between the rich and the poor has also grown significantly. The highest quintile has benefited from provincial and federal tax changes, while the lowest quintile has lost benefits, has not seen the minimum wage rise and pays more for services—education, recreation and health care. The provincial budget and tax systems need to acknowledge the terrible human cost that the poorest have carried over the past eight years as we have attempted various systemic changes.

We urge the provincial government to address the needs of children, parents, people who are homeless, people with disabilities and other vulnerable populations in our communities. Their health, security, dignity and safety are important to the well-being of each resident and to all of us and our communities.

The Vice-Chair: Thank you very much. We have some time for questions, and it's the turn of the Liberal caucus to go first.

Mr Peters: You point out a number of areas that need to be addressed, and these are areas that I think every one of us of all stripes—we see these most vulnerable individuals in our constituency offices. They've got a problem with ODSP; they've been turned down and they turn to us. We try to do what we can.

I don't want so much to get into some of the specifics of the points you're raising here, but you've got the Interfaith Social Assistance Reform Coalition on the ground in communities. Are there things we should be doing within our communities to ensure that we're not duplicating services? Some individuals will go to the Salvation Army, and then they'll go someplace else. A lot of the issues can be addressed by government, but are there things within the community on which we need to have better coordination on the ground as to how we manage programs and where we send people to ensure that we're not duplicating services?

Rev Balmer: I think at this point most of us who are working in the faith communities and also in the social service structure have been stripped to the bare bones. We are co-operating as much as we can. I think the issue of housing would be an appropriate one. There just isn't any more housing. There is no rental housing being built, except at the very highest rents, so we have people going into places that are actually unfit.

Right now, one of the big discussions going on is that the Ministry of Community, Family and Children's Services is asking why their budget is increasing so much. Part of the reason is that there's not adequate accommodation. Mothers are having to face the question: do you go into a shelter and keep your kids with you, or do you lose your kids because the housing you're living in is inappropriate? I think we've been pretty well stripped.

Most agencies, at least in the Kitchener-Waterloo area and when I talk with people from other faith backgrounds in other communities—there aren't the services. We can't provide any more. What's happening is the faith communities are being asked to provide more and more. The answer to Out of the Cold is housing, not more shelters. If we had housing, I think a lot of our people would not be burning out, because they would see there is an end to the Out of the Cold program. Right now, there doesn't appear to be an end to Out of the Cold. The numbers continue to increase, and we continue to get closer to where we have families in Out of the Cold. In most places we don't have that yet, but we do have men, women, young people and old people. Working people are in Out of the Cold now as well.

Rev Brown: Actually, one of the things that impresses me in Peel—I'm a local minister in Mississauga—is the degree to which there is co-operation pretty much across the board. It's not just within arenas that take issues of children that various agencies and local congregations are working in coordination there. That's happening, but they're also working in coordination with people who are working on housing and on educational pieces. So I really am very much impressed with the way that has worked out.

The Vice-Chair: I want to turn now to the New Democrats.

Mr Christopherson: Thank you for your presentation. Again, you've been consistently there, providing a voice for people who don't have much of a voice in our society. I think it would serve anyone well to go back and look at some of the Hansards in terms of the presentations you've made over the years since 1995. I've been on this committee most of that time. Probably for the majority of the years I've been at the Legislature I've been on this committee and have heard the presentations and the warnings over and over.

If you sit back and listen to the other presenters today, you see that all the things you and others who are involved in these issues predicted are coming true. You can't take what is now \$14 billion out of the coffers of the Ontario government and not expect to have it show up somewhere. You're right; some people have done very, very well. In fact, this government will go to many meetings—I won't name them—and brag about the \$14 billion. Yet if you go and talk to the education system, the health care system and to environmental protection and try to brag about the \$14 billion, you don't get very far, because part of that \$14 billion is made up of money that used to go to our schools and our hospitals.

It's hard to believe that here we are in 2003 and this 22% cut stands. Nothing has been done about it. In 1995 they cut the income of the poorest kids in the province by 22%, and if you add inflation there's another 15%. Yet they want to trot off to conventions and conferences and brag about how they managed to cut taxes, in effect taking this money away from the people who can least afford it.

Before I ask you one question I want to make the point that, in my opinion, this is not just an issue about the poor and that we ought to be pleading with the middle class and the very well-to-do to care. This isn't just about the absolutely destitute poor. Most middle-class families have their kids in public schools. If most middle-class kids get sick, they need to go to a public hospital. Go to Walkerton and find out if it was only poor people who died. The fact of the matter is that the massive amount of their cuts, the majority of their cuts, have affected everybody.

As I finish my time at Queen's Park, it breaks my heart to see the damage that has been done to what was a great, great province. Yes, it's great now if you're looking at the bottom line only. But if you're looking at all the things that make up quality of life, it's a much sadder place than before they took over.

I want to ask you one question, if I may. You mention under (4) that "shelter allowances need to increase to reflect average rents ... or the province needs to allocate funding for the production of affordable housing."

1100

Given the fact that all they've done is thrown a pittance at affordable housing and haven't even done what other provinces have done, let alone what they morally should do—you're using the word "or." Most groups that come in will argue that the shelter allowance is a component but we must move into the provision of actual affordable housing because it's cost-effective. Once the mortgage is paid off, it belongs to the people of Ontario and other families can continue to use those facilities.

Do you have a different viewpoint or does that just happen to be the way you phrased it?

Rev Balmer: We have had very significant conversations with the Ministry of Municipal Affairs and Housing and we have pushed for more and more affordable housing funding, and in our conversations we've gotten nowhere. There seems to be a block. We would like to put an "and" there—at least some of us would.

As we talked with Mr Hardeman, who is the parliamentary secretary for community, family and children's services, he was talking about Woodstock, where the rents aren't as high as they are in Kitchener or Toronto or Peel or other places. So one of our questions is, when can the shelter allowance start to reflect the average rents in the cities where people are living? We're just asking if that's another way of working on this issue.

Mr Christopherson: Fair enough. Thank you again for your ongoing work.

The Vice-Chair: Now to the government side, quickly.

Mr O'Toole: Thank you very much for the advocacy you bring to the table. I appreciate it and respect it and it's important.

A somewhat different perspective; I just want to frame it a bit. We sort of think fundamentally that it's an argument of the chicken and the egg. We believe that without the strong economy you can't be discussing quality-of-life issues. Look at Afghanistan and other Third World countries. They have no economy.

Despite what Mr Christopherson said, I think the best opportunity for someone who hasn't got opportunity and resources and hope is the one million new jobs. Ultimately that's our plan. You may disagree with it, but the empowerment from the individual's perspective is a job—the power of believing they created their own sense of worth and responsibility.

When I've listened over the last couple of years—I've been on this committee for some time; as PA in finance, I've heard it at many stages and levels—the three issues are health care, education and the environment. They're somewhat linked, I might say as well—environment, health care, all that is sort of linked. All of them want more money. Arguably, I would say it's in the order of 5% to 10%. That's \$6 billion that we'll hear about over the next while.

If you had your choice—all of them are important, by the way, as Mr Peters said; I don't think there's anyone here who would disagree—how would you approach these very complex human and social conditions? Where would you, as people representing the faith community, from a multi-faith perspective, put the emphasis? Because most of the money, 80% of it, is wages. If you look deep enough, the argument is about more money for—we heard it from the previous presenter. Nurses working for community health centres earn \$58,000; in a hospital a nurse doing the same type of work with the same education gets \$66,000. It's about public sector wages, ultimately, and I don't disagree with the deservedness of that; it's not the issue. But when you decide more money—and we just did it in education. We put half a billion dollars in, and of the half a billion, \$350 million of it was for wages. Not one book was bought.

Where would you put the additional \$6 billion so that it got to the poor we're speaking of, the people, without going through the Sid Ryan-Leah Casselman network, to get it down to real people? I'd prefer personally to work through the Salvation Army, which I do, and the St Vincent de Paul, to give them my cheque directly, so that you buy the soup or the tuque for the individual who's homeless.

The Vice-Chair: Mr O'Toole, can you make a concluding comment?

Mr Christopherson: You're going to get a \$20,000-a-year increase.

The Vice-Chair: Order. Do you have a response to Mr O'Toole's statements?

Rev. Brown: Actually, I need to go back to the beginning comment, Mr O'Toole. The jobs that you're talking about very largely, a significant number of them, are at the lower end. We mentioned a growing gap, and in fact, if you look at whether it's the lowest 10% or the lowest quintile, what has happened is that people are—

Mr O'Toole: One thing: we put a statement that that's not true.

The Vice-Chair: We've run out of time, Mr O'Toole. I wanted to give the group one concluding response. Thank you for your presentation. We appreciate it very much.

GREATER KITCHENER WATERLOO CHAMBER OF COMMERCE

The Vice-Chair: The next group that I'll call forward is the Greater Kitchener Waterloo Chamber of Commerce. Welcome to the standing committee on finance and economic affairs. Good to have you here.

Mr Bernie Hermesen: My name is Bernie Hermesen and I'm the chair of the Greater Kitchener Waterloo Chamber of Commerce. I'm also a partner with the firm of MacNaughton, Hermesen, Britton and Clarkson Planning in Waterloo region. Also with me today is Todd Letts, president of the Greater Kitchener Waterloo Chamber of Commerce.

We've provided a copy of our submission; a summary of the recommendations is found on page 4. Today's submission is comprised of three parts. First, I will provide an overall context of the strength of our local economy in Waterloo region and its contribution to Ontario's economy and then Todd will outline specific actions the provincial government can take so the greater Kitchener-Waterloo area can further boost Ontario's economy and outline key fiscal parameters to ensure a strong foundation for future economic growth.

Let me begin by stating that as one of Ontario's largest chambers of commerce, the Greater Kitchener Waterloo Chamber serves more than 1,600 members representing all sectors of the business community. Our membership includes all sizes of employers providing over 50,000 jobs in one of Ontario's most progressive and economically productive regions.

Our key message to you today is that the Waterloo region area is playing a vital role in both the economic and social health of Ontario and that with a few key actions, starting with the 2003 budget, the greater K-W area can provide even further to the prosperity of the province.

Our area has a labour force now numbering 270,000. It is an important engine fuelling Ontario's economy. The regional gross domestic product is approximately \$16 billion, and some 900 million more tax dollars annually in federal and provincial taxes go out of our area as opposed to coming in. So we have a net contribution in terms of outward taxes.

In a report published by the Bank of Montreal in 2000 it was noted that our region is one of the premier growth

leaders in Canada. In fact, with a population of almost half a million, Waterloo region is the fastest-growing urban region and now ranks as the 10th largest census metropolitan area in Canada. As well, we were recently ranked as third most competitive in North American cities in the northeast corridor by KPMG.

We are also recognized as one of three pre-eminent technology centres in Ontario. The region boasts more than 450 high-tech enterprises and more than 850 local technology-identified enterprises. Key firms include Research in Motion, Com Dev International, Open Text, Descartes, Mortice Kerns Systems and many others.

Notwithstanding the challenges facing the province in establishing priorities for its 2003 budget, the Greater Kitchener Waterloo Chamber of Commerce is confident a plan of strategic investments and prudent fiscal programming in this year's budget will set Ontario on a rejuvenated course of prosperity.

I'd now like to ask Todd Letts to elaborate on how initiatives in this year's budget can help our region further boost Ontario's economy.

Mr Todd Letts: Thank you, Bernie. The story of the greater Kitchener-Waterloo area is very much like the little engine that could. From 1997 to 2001 our economic output increased about 20%. With that growth comes quite a bit of challenge as well.

Our first recommendation, starting on page 4, deals with the implementation of the brownfields legislation. We certainly applaud the government's efforts in establishing the legislation and enacting the Brownfields Statute Law Amendment Act. There are a number of acts that need to be amended, though, in order for the actual benefit of this legislation to occur and so that we can see development on some of these contaminated sites. We encourage that in the 2003 budget perhaps more resources should be put so that these amendments occur.

1110

In the greater Kitchener-Waterloo-area employment lands we have a shortage, our planners tell us: a supply of less than 10 years. So the sooner we can redevelop some older industrial land and put it back into productive use for jobs and investment, the better it is that we can create more of those jobs and investment. One of the recommendations from the brownfields advisory panel was the establishment of some pilot projects, and we certainly do encourage that recommendation.

Investment in infrastructure is something that is also very important to our region. It's estimated that 40% of the population in Canada's technology triangle live in one city and work in another. As Mr Arnott will know, Highway 7 is an important link between the greater Kitchener-Waterloo area and Guelph. That highway is also a source of tremendous congestion, and some accidents and deaths as well. For 13 years our chamber of commerce has been lobbying for an alternative route, and that was approved at the regional level. It's now in an environmental assessment. We certainly encourage with this budget the completion of that assessment and the

budgeting of that route. It will definitely help with the prosperity of Ontario, and our region in particular.

As well, investment in regional transit: tomorrow we are holding a prosperity forum of business leaders, encouraging the continuance of prosperity and identifying clearly what responsibility business can take to improve the prosperity in our region. As you know from your task force on prosperity with Roger Martin, investment in city regions is very important. Transit is something that is also very important for our area. We currently have a SuperBuild application in to extend GO Transit to Cambridge. That definitely would assist in terms of the economic development of not only the greater K-W region but linking it with the GTA as well.

Human infrastructure is also very important. We note that we still do not have, as a province, a labour market development agreement with the federal government. Although there have been independent injections of training capital from the federal government, we estimate that Ontario could be losing up to \$700 million a year because we do not have an agreement. In our area alone, in Conestoga College, their portion of what might occur under an agreement, forecast from the college, could train an additional 1,500 people. So we encourage the province to look at an agreement and sign an agreement if at all possible in the near future.

As well, developing a competitive provincial auto industry: we applaud the Ministry of Enterprise, Opportunity and Innovation for coordinating a working group to look at our industry and ensure that it remains competitive. We have a set of recommendations here encouraging that we look very carefully at our strategy, work co-operatively with the federal government and ensure that our investment environment is on par with our peers in the States.

Of course, any good budget is built on prudent fiscal planning—I know this is an item that's near and dear to the Vice-Chair's heart—and establishing a debt reduction plan as part of this budget is a very good first step. We don't recommend further taxpayer dividends.

We also have as this set of recommendations here the restoring of a competitive electricity market. This is an important issue to our business community from two perspectives: one, they want to avoid increasing the Hydro debt; as well, they want to encourage the increase of supply. We know that a deregulated market would have commodity pricing, and it's important, as was promised to the business community, that there be affordable electricity in the future.

The only way that is going to occur, though, is by encouraging new supply. Under the current price freeze there is not a lot of new supply coming on board. As well, we've got environmental assessments occurring on the coal-fired plants at Lakeview and Lennox. As we revisit the electricity policy, we really should go back to the fundamentals, back to the Macdonald commission report, and take a look at the market share of OPG. Perhaps solutions there, we believe, can assist in ensuring that there will be more supply for the future.

As you can appreciate, there are many manufacturing-related companies in greater Kitchener-Waterloo, automotive-related and tech as well, that have a dependence on electricity. In addition to affordable prices, the mere concept of brownouts or blackouts strikes fear in their hearts, and we certainly encourage whatever you can do to encourage supply. That is also a very important issue.

Personal and corporate tax cuts: we understand that the deferral will be complete and that you'll be back on schedule this year. We encourage that to occur. We have a number of recommendations with respect to streamlining revenue sources, encouraging the Red Tape Commission to continue their good work, to review each tax and fee and levy to ensure there isn't a tax on tax being applied through various levies. As well, although there has been some disagreement with the federal bureaucracy on tax collection, we do not encourage the establishment of a new tax bureaucracy. In fact, just—

The Chair: Mr Letts, could I ask you to hold on for a moment? Could I please ask that you move the meeting to the back of the room? Thank you. Sorry, Mr Letts. Go ahead.

Mr Letts: To continue on that vein, co-operation with the federal government not only in terms of the tax collection agreement but also the harmonization of sales tax we feel is a laudable goal and something the business tax advisory panel should look at.

In terms of our general recommendations for program spending, we support the balanced budget philosophy you have adopted. We know that health care and education spending are significant components of your budget.

We are currently reviewing the Romanow and Kirby commission reports. In the recommendations and presentations we've made to those federal commissions, we encourage that a solution occur so that doctors are not the only gatekeepers of the system, that we take a look at a greater role for nurses, psychologists, occupational and physiotherapists. As you may know, our community does have a doctor shortage and our chamber of commerce has now actively founded and operated for approximately four years a physicians' recruitment program. That's key for us to attract new talented employees to the area.

Anything we can do in terms of the sharing of information without compromising the privacy of individuals through a new technology—many firms in our area are involved in that—is also supported.

Lastly, on education spending, you've received the report from Mordechai Rozanski. We certainly support the realistic multi-year budget commitments and also the proper funding for construction costs. It is a fundamental belief of our business community that strong investment in education pays dividends to our economy as well.

Bernie, could you conclude?

Mr Hermesen: In conclusion, this year our chamber adopted a philosophy we call "partnering for prosperity." Locally it has meant partnering with numerous other organizations, from a business, marketing, academic, institutional, municipal etc point of view, to achieve our

economic opportunities. Likewise, we must look beyond our borders for those key provincial decisions and investments which support and multiply these opportunities for the good of all.

Thank you very much. We'd be pleased to answer any questions.

The Chair: That leaves us with just a minute each, beginning with the NDP.

Mr Christopherson: Gentlemen, it's good to see you again. Thank you for your presentation.

I would be the first one to commend the Waterloo region on the success you've had in becoming a tech centre. Probably almost every jurisdiction in the world talks about it. Some attempt it; few succeed. You've done a phenomenal job, and I think there's a lot there for a lot of our communities to learn from.

I have one question. You're the first one who's raised the issue for a while now, and that's the harmonization of the sales tax. It was hot for some time and then it just completely cooled off, and I haven't seen or heard too much about it at all. I was just curious, first of all, why it's rising up in your list of priorities; and secondly, you must have some sense that there is a benefit or you wouldn't ask that there be a process initiated, so just your thoughts on where you think the benefit would lie for us, both for consumers and on the business side.

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Mr Letts: We understand from tax specialists who are part of our volunteer network that harmonization does have a number of key benefits in terms of the applications for small business. As well, we're within the ballpark with respect to the federal GST level and the provincial level. We want to ensure that the economy continues a harmonization of the sales tax; it goes right to the street in terms of the contribution that can be made in terms of our shops, our restaurants and so on.

The Chair: We move to the government side.

Mr Ted Arnott (Waterloo-Wellington): Thank you very much for your presentation. You won't be surprised to hear that I thought it was excellent. I was pleased that you made reference to debt retirement, the need for a new Highway 7 between Kitchener and Guelph, the electricity restructuring points you made, and the importance of the automotive sector. In fact I had the chance to tour Lear Canada on Friday, which is a manufacturing concern that makes seats for cars and trucks. I met the plant manager and the CAW president, David. So it was well worthwhile.

Looking to the year ahead, what would you suggest to this committee is the number one economic challenge facing Kitchener-Waterloo?

Mr Hermesen: What we hear time and again in the various surveys we do is a skills shortage. There are some things which are notable by their absence here today, such as sending in a facilitator to talk about amalgamation. But we decided that story has been tried, at least for now. Really what we see, from an economic development point of view, is a skills shortage. It's strange that we're saying that when we've got the

number-one-ranked college in Ontario and two very well recognized universities, the University of Waterloo and Sir Wilfrid Laurier, but at the same time we keep hearing from our industries—and maybe it's the price of success, because we're attracting about 8,000 new people a year to the region who are attracted by job opportunities.

At the same time, it's making that fit between people and the jobs. It was interesting, listening to the previous speakers talk about how you help the people who are having so much trouble helping themselves. Todd and I, listening back there, thought that if we could get at least some of them the appropriate training, we could get the employment rate down and give them that opportunity.

The Chair: We move to the official opposition.

Mr Kwinter: Thank you very much for your presentation; I was quite impressed. You covered a wide range of issues and you did it, I thought, in a relatively even-handed method.

One of the questions I want to ask you is about your concern about the competitive auto industry strategy. I know it's important to your area. We have a situation where just last week DaimlerBenz announced that they are considering putting a facility into Windsor, but unless they get some financial help from the government, it's probably going to go somewhere else. You raised the concern in your presentation about these things going down into the southern United States, and we've also heard that Mexico is a very serious challenge.

When you talk about having a competitive environment, I know that in your brief you talked about the general competitiveness: about having skilled labour doing all of those things and having a tax environment. But I want to know whether you also refer to being able to go head-to-head with these proposals like DaimlerBenz and compete on that basis to make sure we get that facility into Ontario, which of course would then benefit your area. Do you have a comment on that?

Mr Letts: Yes. Thank you for the question. This is a very challenging question for the provincial government in this specific case you mention. Our perspective on that is that we prefer long-term solutions rather than short-term solutions when it comes to economic competitiveness. What we mean by that is that it is more beneficial to reduce or eliminate the capital tax, for example, because when we take a look at our United States peer groups—other jurisdictions—there is no capital tax. Capital tax is a penalty on investment in machinery. It also does not support more research and development. So the reduction of the capital tax and the personal taxes across the board will benefit the auto industry, definitely, but it will benefit all sorts of industries as well, rather than the game that's being played in Alabama and others with tax holidays, for example. That's a short-term fix, because I think your representatives in the Ministry of Enterprise, Opportunity and Innovation will tell you that the companies, at the end of their tax holidays, sometimes pick up and move.

So we are interested, as a chamber of commerce, in long-term solutions, long-term competitiveness that

affects a wide variety of industries investing in capital. You can do that by the elimination of taxes. You can do that by investment in R&D. You can do that by investment in training as well. Those types of incentives have the longer-term benefit that Ontario will benefit from.

The Chair: Thank you, sir; we appreciate that. Thank you, gentlemen, for coming today.

NEIGHBOURHOOD LEGAL SERVICES

The Chair: Our next presenter is Neighbourhood Legal Services. You have 20 minutes, sir. Any time left over from your presentation will be used for questions. I ask you to state your name clearly for Hansard. Welcome.

Mr. Jeff Schlemmer: My name is Jeff Schlemmer. I'm the executive director of Neighbourhood Legal Services. Thank you for coming to London today and giving us the opportunity to give you our little state of the union. The principal area that I'd like to talk to you about today is disability issues, life for disabled people in Ontario today. I'm aware that you have had submissions from other folks that will mirror somewhat what I want to talk to you about, so I'll try not to spend too long on things that are too duplicative, but to give you my perspective, for what it's worth.

I should start by letting you know that my legal clinic, as you are probably aware, is one of a system of legal clinics in Ontario—there are about 80 of them—that provide legal services for poor people. One of the services we provide is to appeal decisions for people who are seeking Ontario disability support program benefits, either where they're seeking the benefits or where they've had a problem with continuing to receive the benefits. That's my bailiwick; that's the perspective that I come from.

The principal message that I'd like to leave with you today is one that I think you've heard before, and that is that it's time we do better for disabled people in Ontario, specifically in relation to the rate of benefits that disabled people are paid. As you are aware, the rates were last raised in the early 1990s and have been frozen since then. In various other ways, the benefits that are available to disabled people have gone down since that time, and I'll talk to you about some of those. I recall from speaking class years ago that you're most likely to remember the first thing you hear and the last thing you hear in a talk, so the first thing I'd like to tell you is that it's time to raise the rates for disabled benefits in Ontario and that they should be raised commensurate with inflation, that is, to take up the slack of the inflation that we've lost since 1995 and to put disabled people in essentially the same position now that they were in 1995.

There are a variety of other changes that have occurred since 1995 in relation to disability benefits that you will be aware of, and I want to touch on some of those to give you a flavour or background for how people are getting by on disability benefits in Ontario today. I've

mentioned that the amount of money they have has gone down by the estimate of about 18%, compared to what they had in 1995, as we've seen the cost of housing go up, the cost of utilities they're paying and so on and with the variety of other things that have happened to make life tougher as well. Again, you'll have heard of some of these, but I wanted to touch on them.

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The first thing I want to talk about is the substantial increase in the difficulty in getting on to disability benefits that has arisen because of a process change, more so than anything else. It's not that the definition you have to meet to become qualified for disability benefits has changed so much. As I explain it to people, in essence you have to prove that you can't do any type of work at all on a remunerative basis for at least a year.

The process changed dramatically in the late 1990s, the first aspect of that being that it used to be that the decision about whether someone was disabled was made by a doctor in the government. The government would hire local doctors on retainer to review medical reports provided by local doctors about their patients. That had a couple of advantages: one was that the government assessor was a qualified doctor; the second was that they were local doctors who often knew the doctor who had authored the report, knew whether they were credible, what their expertise was and so on. I would submit that was a pretty good system for weeding out malingerers or people who were not eligible. That system was changed in the late 1990s to a system where the doctor's role was removed from that process. Instead of having doctors assessing whether people qualified for disability benefits, the process was given to clerks at a centralized location in Toronto. The suggestion was that the clerks would have "some medical background," but clearly were not qualified doctors. After that, not necessarily surprisingly, the number of people being rejected for disability benefits went up substantially.

At the same time, there was a 15-page form developed—I brought a sample of it along—that the doctor was expected to fill out, assessing whether or not the person was disabled. Unfortunately, nowhere does the form ask whether the doctor's view is that the individual can work or not, which is a huge problem with the form. The doctors have told us that these forms are complex, that they don't understand them and that they're a mess. What typically happens on appeals is that these forms are ignored by the adjudicator who makes the decision, and we obtain independent reports from doctors where the doctor gives us an opinion: can they work or not? If not, why not? First of all, that has caused a lot of delay, because when people apply for benefits, they're not told that these forms are essentially not relied upon. Also, again, because the decisions are being made by non-doctors, these clerks seem to feel free to disagree with the doctors any time they don't understand what the doctors are saying. Of course, I don't understand what the doctors are saying either, because I'm not a doctor. So I would submit that system has not served Ontario well,

and it would be a good idea to move back to a system where local doctors are reviewing the decisions on behalf of the government to assess whether people are qualified to receive benefits.

Another corollary result of the change, of course, is that appeals shot through the roof. Back in 1995, about one quarter of the appeals we were doing at my clinic would have been disability appeals. Presently I'd say closer to about 70% of our work is disability appeals. We usually win the appeals, because at the adjudicative level the adjudicators rely on the law and assess medical evidence as to whether someone qualifies, and they generally grant benefits. But because there are so many appeals in the system, it has become much slower to get a hearing date. It's typically over a year now, from the time that we start an appeal, saying someone has applied for benefits, they've waited six to eight months to find out whether they are eligible, they've been turned down and they've come to us to appeal the denial of benefits. It's another year before we get a hearing date, and then typically another two to three months after that before we get a decision—a very, very slow process. That is very difficult for people who are genuinely disabled to endure during that time. So again, one of the recommendations I certainly would make is that we should try and get some of the red tape out of this system.

Within that, I'm going to talk about the red tape as well. We've seen a dramatic increase in the amount of paperwork associated with disability files. I would estimate that the amount of paperwork associated with any given disability file probably has gone up between five and six times what it was in 1995. This is a result of an antifraud initiative. While nobody likes fraud—and if we can track it down, that's a great thing—we have to balance out the cost of all the additional administrative work that's being done to try and root out the fraud versus the utility of the amount of fraud we're catching. I would submit that we're spending too much time on red tape and paperwork and, again, that this makes it very slow and difficult for people who are disabled to receive disability benefits.

I should mention as well a couple of other things that have been difficult for people on assistance. One of them that I'm sure you've heard about is the clawback of the national child benefit. If you're a disabled person, right now you're eligible for the child benefit if you have children. But if that child benefit is sent to you on behalf of your children, it's deducted from the food and shelter allowance that those children qualify for. That of course makes things that much tougher for disabled people.

Initially I recall hearing that one of the rationales for the tough love approach, if you like, for people on welfare was that the government wanted to provide an incentive for them to get back to work. We may agree or disagree with that approach but it doesn't apply at all for disabled people. Nobody is suggesting that disabled people should be given tough love as an incentive to get back to work, because they can't go back to work, by definition. If they could, they wouldn't qualify for

benefits. So the rationale of keeping benefits down, of making it more difficult to get benefits, of having a massive bureaucracy that they have to cope with, in my submission, just doesn't make sense.

Another corollary, of course, of the massive increase in paperwork is that I see on a regular basis mentally disabled people who can't cope with the process. They're too disabled, if you like, to get disability benefits. They can't cope with the forms, they can't make it to the myriad appointments that they're required to attend. They miss them and then they get cut off for that.

I've got an appeal going on right now where my client has a disability that causes her to go crazy, to go ballistic after about 10 minutes of talking to any bureaucrat. We can't get through the hearing.

Mr Christopherson: That makes her pretty normal; I'm sorry.

Mr Schlemmer: I won't comment on that. But we've rescheduled the hearing three times now because we're trying to get the hearing but she keeps blowing up in the middle of the hearing. The issue is, can this woman work full time or not? Clearly she can't, but we can't get her on benefits until we get through the hearing. That kind of thing is a real problem and, in my submission, should never occur. Forget about her difficulties; it's a lot of cost for everybody. Everybody in these hearings is funded by government one way or another.

Just briefly, as well, I should mention the fraud situation, the lifetime ban. Whatever people may think about a lifetime ban for people on welfare, in my submission it's clearly not appropriate for disabled people, and it applies right now. If you are convicted of any amount of welfare fraud, as you may know, you are disqualified from receiving disability benefits for life. If you're on welfare, at least theoretically, you can go back to work. If you're disabled, by definition, you can't.

Nobody has been able to explain what we're supposed to do with these folks if they cannot get disability benefits for life and they can't work for life. By definition, there is no other source of income they can access, because, if they could, they would not qualify for Ontario benefits, which are the last-resort benefits, if you like. In my submission, that is something that is unduly harsh. Even my local MPP, Bob Wood, is on record in our local paper saying that that's too tough. It's too punitive to say that if you have a \$5,000 conviction for disability fraud, you're cut off for life, because there is just no way for these folks to survive.

In addition to that, one of the things you may be aware of is that often the rules in relation to disability benefits are counterintuitive and very complicated. Among them, for instance, I have a case right now with a woman who decided to start selling Avon products. People on disability are encouraged to try to get back to some form of work if they can. She started selling Avon products.

The rules in Ontario are that the cost of product is not considered to be a legitimate business expense. So in her case, for instance, say she buys Avon product, sells \$1,000 in a month but has to pay \$500 for the product.

The government says that \$500 is not a legitimate business expense and, as a result, they deem the whole \$1,000 gross revenue to be net profit, making it impossible for her to continue. The problem is, having started on it, if she stops it she gets in trouble for that. She's cut off for another few months. We have to do an appeal and that takes a year. Again, some of these rules are counterintuitive and too complex.

Another one you've probably heard of is that people on benefits are not allowed to borrow money. This causes various types of problems. Among them, I have a client who bought an electric fireplace from our local hydro utility, London Hydro, paying \$40 a month for it for two years or something. The disability office deemed that to be a loan from London Hydro of whatever it was—\$1,500 for this fireplace—and said, "You just received \$1,500. You're cut off for two months because we deem that to be money in your pocket and you don't need disability benefits any more." Again, people don't expect these to be the rules and it causes great hardship.

Similarly with education right now, you may be aware that if you are a child of a disabled person, you're not allowed to save money for post-secondary education. We know now that the maximum OSAP you can get in Ontario is \$9,350 a year. Tuition at the law school that I teach at is about \$8,000 right now, leaving about \$1,000, or a little over \$100 a month, for living expenses. People need to be saving money for school so they can go to university. But if you're a child of a disabled person, you're not allowed to save money.

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I have a case right now where a woman told her two teenage children, "You've got to go to work at McDonald's, you've got to cut grass and so on and save money for your education." It was discovered by her caseworker and a big overpayment was imposed for this money that they had saved, saying, "You're not allowed to do that. That's fraud."

These are big problems. This is the context of life for people with disability benefits in Ontario today.

I'm sure you've heard about difficulties with accessing social housing. Many of these people need handicapped units. I've got a fellow in my office right now who has no legs or fingers. He's 37 years old and he's about to be evicted from his subsidized London housing unit over a \$15 arrear issue. The problem in his case is that once they start the eviction application, they spend \$150 to start that application and they spend \$350 for the sheriff. These fees have been imposed in the last few years. So it's not about the \$15 now; it's about the \$500 legal bill that London Housing has. Of course, as a disabled person he can't afford to pay that. A person in his circumstances shouldn't be evicted in February in Ontario over a \$15 arrears issue.

Life is tough for disabled people in Ontario. I leave you with where I started, and that is, it's time that we do better for disabled people in Ontario. The starting point is that we need to raise their rates at least to reflect the cost of living.

That's my submission. Thank you.

The Chair: Thank you, Mr Schlemmer. That leaves us about 30 seconds for each party. I'm not sure that's enough but we'll give it a shot. Mr Sampson, quickly.

Mr Sampson: Thanks for your presentation and examples of bureaucracy gone wild and some of your stories. I think most of the folks around the table would say that what you explained is not right and needs to be looked at somehow and fixed.

Do you do any disability work outside of the disability plan?

Mr Schlemmer: I practised in private practice for five years, personal injury work.

Mr Sampson: Just very quickly, on the personal injury side, are there some disability processes, adjudication processes that are better than what is currently happening under—

Mr Schlemmer: Yes. The employment insurance program is much, much better. They have hearings within two weeks of appeals being filed. They guarantee a decision will be rendered the day of the hearing. It's a much better process.

Mr Sampson: How about workers' comp or private disability—

The Chair: That will be it. We move to the official opposition.

Mr Peters: I guess at some point, it would be great, Jeff, if we could pretend you're the minister and you have the magic wand. I think we'd love to hear from you what we should be doing to fix the system.

The government loves to point to their Red Tape Commission. I think you should make a presentation to the Red Tape Commission to lay it all out to them. They're so big on trying to remove red tape for the business community. I would hope that attitude they have in trying to help business would be an attitude they would take to persons with disabilities in looking at the program that has been developed and pointing out some of those flaws. I would encourage you. They always say, "Apply to the Red Tape Commission." I think you should.

Mr Schlemmer: I think I heard an invitation. I'll take you up on that.

The Chair: Mr Christopherson?

Mr Christopherson: Thank you, Chair. I don't know if I have time to squeeze a question and answer in there. I found it fascinating, because I'd never heard this before, that the paperwork for ODSP individuals was five or six times as much. That's interesting, given that the government, as Steve has pointed out, has made a big deal about their red tape. If a small business group came forward and said that they had five or six times more paperwork, the government would respond very quickly.

The other thing is, on the welfare fraud, that it's interesting, when you've got someone like Bob Wood saying it's too severe, no one should have any doubt that it's too severe. Let's keep in mind, too, that there is a member of the government caucus who was convicted of tax fraud who then went on and was allowed to become an MPP and, for that matter, became a minister. So if

anyone needs to have any justification for changing this, there's lots of it there.

The Chair: Thank you, Mr Schlemmer. We appreciate your input. I'm sure that if you did want to appear before the Red Tape Commission, there is a process by which you can be directed.

Mr Schlemmer: I'll follow up on that.

TOGETHER IN EDUCATION

The Chair: Our final presenters this morning, the Waterloo teachers' federation—I guess there is a combined presentation. Please come forward. Would you please state your name for the record.

I would ask that the meeting go to the back of the room, Mr O'Toole. Mr O'Toole, please move the meeting to the back of the room. Thank you.

Sorry, gentlemen. Please proceed.

Mr John Ryrie: My name is John Ryrie. I am currently district president of the Ontario Secondary School Teachers' Federation in Waterloo. With me is Rick Moffitt, communications officer of the Elementary Teachers' Federation of Ontario in Waterloo. We had hoped that Bill Brazeau, who is president of the Waterloo unit of the Ontario English Catholic Teachers' Association, could have been here today as well. But he phoned me early this morning to indicate that he would be unable to make it. Jointly, the three teacher affiliates make up an organization we call Together in Education.

For over a decade, we have been working together to advocate the concerns of educators in our local publicly funded elementary and secondary schools. One of the jobs we take on is taking opportunities such as this one to convey to government representatives the state of affairs in our schools, and we appreciate the time you are giving us to bring forward our own perspective.

We have participated in at least four pre-budget hearings in recent years. It would probably be fair to say that we have been largely ignored, because we have asked government MPPs since 1995 to see schools and students as an investment, rather than an inheritance to strip-mine for tax cuts, but we're going to try again today.

To put today's presentation in context, I'd like to briefly review some history that I think is pretty important. In 1995, the Conservative party said the following: "Our education reform plan is spelled out in our policy paper, *New Directions II: A Blueprint for Learning*. Here, we will concentrate on how these reforms can reduce the burden on taxpayers."

Right from the start, the intent of the current government was to make Ontario's schools cheaper, not better. Yet messages to the public repeatedly presented the bogus idea that we could endlessly do more with less: "The Ontario government has a plan that would significantly improve the quality of education at less cost to the taxpayer.... This model would recognize the cost of educating students, and of assisting students in special circumstances, such as students learning English for the

first time in the classroom, students with special needs, and students in remote communities.... A new, fair funding model ... based on the needs of the student ... nothing is more of a provincial priority than education. After all, education is our most important social program and a great leveller. The Ontario government is committed to improving the quality of education for every student in this province."

Five different recent analyses have now shown that the cuts and policies from 1995 onwards have been profoundly destructive, and government promises very hollow and disingenuous. Dr Alan King's study, initiated by the Ministry of Education and eventually released last fall, indicates that some 7,000 students graduating in the double cohort will not find a spot for them in a college or university this September despite marks and achievement that would have done so in previous years. Dr Rozanski's report in December showed the funding model to be a disastrous, ill-conceived reform that has hurt and hindered schools, not improved support for students. The cupboard is bare. A five-year study of six secondary schools in the Peel board by Mr Andy Hargreaves, the Ontario Institute for Studies in Education report released on January 23, and the Canadian Centre for Policy Alternatives report say the same thing: students have been cruelly short-changed by funding cuts.

The obvious point I want to make in referring to earlier government documents is that the starving of our schools has been deliberate. And the enormous cuts have been centred on a phony crisis: the fake and dishonest undermining of public confidence in education that John Snobelen so famously articulated in 1995. Our schools weren't substantially overfunded in 1995 and they weren't underachieving; they were under-appreciated.

How would I know that? Well, the 1994 report of the Royal Commission on Learning, which is still worth taking a look at, said, "From what we've observed and learned, we're confident that most Ontario teachers are competent, caring, and committed; that they work conscientiously and hard; and that day in and day out, they do a good job. In fact, given the constant pressure they operate under, the seriousness of their responsibilities, the never-ending new changes that boards or the ministry impose on them"—and have continued to impose on them since 1994—"the anxiety about keeping up with their subject and with good practices ... given all this, even the ordinary teacher seems heroic to us."

Moreover, in 1996, a year after Mr Snobelen conveyed that Ontario's system was broken, a non-partisan federal study found that "the most recent school-leaving cohort, aged 16 to 25, contains relatively few individuals at level 1"—which was the lowest level of this particular study—"a finding that belies any notion of widespread school failure." I suspect that none of you have read this document. Here it is, *Reading the Future: A Portrait of Literacy in Canada*. It goes through and looks at not just literacy in Ontario but across the country and comes to that conclusion, which I think was a lot more substantial than what Mr Snobelen was saying in 1995.

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We now know that it is centralized funding that has not improved the opportunity for students or the services that are needed to support them. Centralized funding has not put students first, in its rigid formulas or in its sufficiency. As Michele Landsberg pointed out yesterday in the *Toronto Star*, this centralizing has, in her words, "merely robbed the local communities of flexibility and competence to solve problems." I think she's got it right.

Locally, the facts are quite revealing, which is the reason we're here today. In 1993, the Waterloo Region District School Board was able to access revenue of \$6,750 per student, by their own audited statements. By 2000-01, this figure had dropped to \$6,388 per student. When corrected for inflation, and assuming steady affirmation of public education, the 1993 figure would have risen to \$7,754 per student. In other words, per-student support for young people in our region in real terms dropped by 20.2% over a period of seven years.

In the simplest of terms, the current government has failed to provide the things that students need, and I know you've heard this before: special education teachers, textbooks, clean and well-maintained schools, transportation, heat, light, secretaries, educational assistants and thoughtful, well-laid-out, age-suitable curriculum.

Quite apart from the appalling failure rates in the new applied courses—these courses aren't working very well—quite apart from the 40,000 students who are on track to not graduate because of the unreliable and inconsistent grade 10 literacy test that they can't study for, and quite apart from the double cohort catastrophe that my own middle son is living through, another consequence is looming on the horizon in Waterloo's public board, and you may not be familiar with this. Our board is planning to close two viable high schools, one each in Cambridge and Kitchener. Why? Because the funding model is forcing them to. This direction is not a pedagogical one, it's not one the board would have thought of prior to 1995 and it's not one that puts students or the community first. None of the 15 public high schools in Kitchener, Waterloo or Cambridge is so tiny as to logically demand closure. I know that's not the case elsewhere but it's true in Waterloo. For example, we could keep all the current high schools in Kitchener, build a new one in southwest Kitchener, where we need one, and the resulting six would still house more than 1,200 students each, which is just about a perfect size for a high school.

Since an election appears to be fairly imminent, I'll note that four Conservative MPPs currently hold seats that overlap the region of Waterloo or encompass Cambridge and Kitchener. When our school board finally announces in early April which two schools it thinks should close, I suspect that thousands of citizens in these two cities, the ones who vote, are going to have a lot more to say about how educationally questionable, if not stupid, it is to close their viable high schools because of a flawed, outdated, rigid, bureaucratic funding formula. They are going to know, and be told quite correctly, as

they have been at recent public meetings which I've attended, that Queen's Park formulas are driving the loss of these schools.

Dr Rozanski made 33 recommendations for re-investment in Ontario's publicly funded schools. Only three recommendations have been addressed so far—just three. We urge you to give back to students what you have taken away by implementing the rest of his recommendations. After all, the proposed \$2.5 billion in tax cuts would more than pay for Dr Rozanski's recommendations. I can't help but note that these tax cuts are slated for people who generally do not lack money for food, basic housing or winter clothes. Thousands of our students and their families do. They need educational support to improve their lives.

Mr Rick Moffitt: As a representative for the 2,400 ETFO Waterloo members, teaching approximately 40,000 students, I am pleased to offer suggestions for the coming provincial budget.

In many ways, teachers are saddened by the notion that government education policy is being set at budget hearings rather than educational forums and hearings. This flies in the face of doing what we as educators know is needed for children. It devalues public education and debases the roles of professional educators at all levels.

It is, however, precisely during the delivery of this province's next budget that the priorities of this government must change. We must stop referring to education funding as a cost or an expense and instead acknowledge that it is the most important investment we as citizens can make. We must also make the fundamental decision to acknowledge that we are not merely taxpayers but citizens, and that being a citizen carries with it both rights and responsibilities. Finally, we need to accept that the rights and responsibilities of citizenship extend to corporations as well as to individuals.

There is really a simple answer to what this government needs to do to remedy the problem created in public education: implement the recommendations of the three independent task forces that this province has had in the last few years. The McCain and Mustard Early Years Study, the Rozanski report and the recently released OISE-University of Toronto report, *The Schools We Need*, are very clear on the pedagogical and financial needs of our public education system.

The following statements can sum up the Rozanski report generally: (1) fund the actual costs, not the 1997 benchmarks of public education, and provide stable multi-year funding to the public education system; and (2) make new investments for the most vulnerable students—special education and ESL students—so as to ensure an equitable opportunity for students to succeed not only in our schools but also in life.

The costs associated with the Rozanski report that remain to be implemented are in the \$2-billion range, notwithstanding the fact that in 2002 a down payment of \$205 million was made on special education and \$340 million for salary and benefits not costed in the recommendations of the report. Once funding has caught up to

the actual costs by the year 2005, as outlined by Rozanski, the government must also ensure that we do not begin the process of sliding backwards from these benchmarks again. A timetable for cyclical reviews of the funding formula must also be included in this process.

Just as important as the investments Rozanski called for, however, was the implementation timetable that this budget needs to embrace. Part and parcel of the implementation timetable is the announcement of a stable, multi-year funding mechanism. We urge the government to announce a timetable, spread over a maximum of three years, for this \$2-billion investment as part of the next budget presented.

The key recommendations of the McCain and Mustard Early Years Study need to have an implementation timetable set as well. Key recommendations included reducing class sizes for elementary students, particularly those in the primary division. ETFO has called for average class sizes of 15 in junior kindergarten, 18 in senior kindergarten and no more than 20 in grades 1 to 3. Investments in these early years would yield significant savings in grades 4 through 12, more than enough to recover the costs associated with implementation. In addition, this would begin to address the current funding inequalities between the elementary and secondary panel—a model which currently sees per pupil funding for our youngest, most vulnerable children at \$751 less per pupil than their secondary school counterparts—and it does not disadvantage the secondary students. In fact, in the longer term it ensures that issues currently being dealt with in the latter stages of a child's educational life are remediated much earlier.

We urge the government to announce a timetable for the implementation of these recommendations, an investment that meshes very nicely with the learning opportunities grant called for in the Rozanski report. The Rozanski report calls for \$50 million to be invested immediately and for a review process to be put in place to assess the adequacy. This needs to be properly funded prior to the commencement of the 2004-05 school year. This particular initiative is also supported in the OISE-U of T report just released. A large amount of research is available to support the pedagogical value and long-term economic savings available through the implementation. So overwhelming is this evidence that 70% of American states have now passed class size reduction initiatives.

The Schools We Need, the OISE report just released in January 2003, also contains some specific recommendations that we believe will strongly increase the quality of education in this province. While the items contain some costs, the value they would provide to public education far outstrips the associated costs.

Quoting from the document, "The government's indirect attention to teachers and teaching has taken the form of increased pressure and accountability with no corresponding increases in support or resources." In fact, this government has made a point of cutting resources as it implemented the new curriculum and made major policy changes in education. Cutting professional de-

velopment days from the school calendar while introducing a new curriculum does not make sense on any level. Let us rid ourselves once and for all of the notion that you can do more with less. One can only do less with less. It is absurd to suggest otherwise.

If you believe this can work, try it with your car some day. Put \$10 less gasoline in our car and see if you can travel any further. It does not, it cannot, work. Quite simply, if you have more students in your class, you have less time for them. Alternatively, if you add three or four higher-needs children to a class without increasing the size, it still means less time for the rest of your students.

It is time for this government to stop telling teachers what constitutes sensible education policy and once again embrace the collaborative process in which the public education system thrived in the 1960s and 1970s under Bill Davis and the Conservatives and also into the 1980s. The senior partner in this stakeholder collaboration must be professional educators. We are the front-line workers with the requisite knowledge and experience to make the system work.

This government is responsible for the current impasse in public education. They created a series of phony crises as a mask for stripping funding from the public education system to provide tax cuts for the wealthy and tax cuts for corporations. Funding must be restored, and restitution for the damage done demonizing teachers and the education system must be forthcoming.

Teachers have always put their students first, while for the past seven years this government has put tax cuts first. Teachers are not afraid of being accountable. As lifelong learners, teachers are willing and able to be accountable for ongoing professional development in collaboration with the government.

Return professional development days to the school calendars, supply the financial means to train and implement new curriculum initiatives and provide the necessary financial support to pay for the resources needed to implement the new curriculum. End the costly standardized tests and instead do random testing to ensure that standards of performance are being met, and use those testing dollars to supply extra opportunities and support to students who are vulnerable.

There is absolutely no financial benefit to testing. In fact, the announced increases in standardized tests for every single grade will cost upwards of \$100 million and provide no benefit to the government that could not be realized by spending just \$5 million to \$10 million. The statistical evidence provided by random sample testing for 20,000 students would yield data just as statistically relevant as the data received when testing all two million students in this province. If the goal is to ensure that students are meeting standards acceptable to the government, we can do this at a fraction of the cost.

We call on the government to reverse their decision to fund private schools through tax credits. This government has no mandate to implement such a profound change in policy. After seven years of inadequate funding in public education, there is no justification for pouring

\$300 million into funding for private schools and encouraging an exodus from public schools. For 150 years since Egerton Ryerson's time, Ontarians have believed that a strong public education system was imbedded in this province's value system. Funding private schools simply undermines this.

Finally, the same standard of accountability that this government is so fond of trumpeting applies to it as well. There is reciprocal accountability to which this government is subject. The children of this province deserve no less. We cannot legislate equality, but we can ensure an equality of opportunity in this province. Public education is supposed to be the primary means by which we citizens ensure everyone an equitable opportunity to succeed not merely in school but in life. It is high time this government accepted its responsibility and made the necessary investments in education to fulfill its duty.

The Chair: Thank you, Mr Moffitt and Mr Ryrie. That concludes your time, so there will be no time for questions. We appreciate your input today, gentlemen.

Mr Kwinter: Mr Chair, is this room going to be secure?

The Chair: Yes, this room will be secure, and there's a designated area for members to eat. This meeting will recess until 1 o'clock.

The committee recessed from 1204 to 1301.

ROBERT SEXSMITH

The Chair: Our first presenter this afternoon is here. Mr Sexsmith, if you will be kind enough to state your name clearly for the record when you begin speaking. You have 10 minutes. If you use less than that, that may allow us the opportunity to ask you some questions. Please proceed, sir, and welcome.

Mr Robert Sexsmith: Mr Chairman, my name is Robert Sexsmith. I am a citizen of London who has been actively involved as a volunteer in the community. I'm trying to make some points on the need for some finances coming to this community as well as other communities in this province. I have four points I'd like to touch on: municipal tax increases, housing, employment and poverty. I apologize for reducing it to two pages, if it's a little small. I also wear bifocals, so we'll go slowly on it.

The provincial government's spending is higher than it was when the current government took office. The provincial downloading obscures the fact that the major changes in responsibility and limited taxing authority imposed on London have not been revenue-neutral for the city. The result of new municipal responsibilities has increased property taxes and user fees. Even with prioritizing the existing programs, the unmet needs of this community have been recognized. The options the city faces demand increased spending because of the unfunded mandated programs from the province, ie, roads, infrastructure, public health, ambulances, environment, community health care cuts, and homelessness etc.

Housing: the municipality has been handed the cost of the provincial social housing program. Funding of

income support programs from property taxes is bad public policy. Senior levels of government must either resume funding these programs or provide municipalities with the appropriate taxing powers.

Since 1995, the Ontario government has made deliberate choices to give priority to tax cuts that primarily benefit wealthy individuals and corporations instead of social programs, including housing, that benefit 4.5 million people living in renter households. Currently the province spends about \$412 billion on tax cuts, yet zero on new housing dollars for housing supply, and a decreasing amount on many other vital social programs. Since 1995, the provincial government has explicitly relied on the private sector to deliver housing and many basic services. The signs of failure are evident in the human and economic costs of the province-wide housing crisis.

Employment: people have proven that they want to work, but well-paying jobs have been replaced by temporary, contract and self-employment or part-time jobs. This has resulted in people working for wages that cannot meet their expenses. Housing, child care, education and health care cost more because of cuts and changes to government programs. Low-income statistics, on the LICO, which vary according to family size and community, state that households falling below low-income cut-offs are considered to be substantially worse off than the average total-income family. This is a serious loss of public confidence in governments—all levels—and the economy.

In the London area the majority of job gains—12,000—has been in the services-producing sector, led by wholesale and retail, with gains in health and social assistance, transportation and warehousing, followed by construction and manufacturing. Most of these jobs pay \$6.85 to \$9.00. The others range from \$9.00 to \$11.00, and a few at \$13.00.

Add to this the restructuring of municipal employment patterns to reduce taxes by deferring projects or programs and finding efficiencies or outsourcing. There will be a shortage of skilled workers due to early retirement as companies continue to restructure in this area. This will affect retail employment and the construction trades. While employment patterns affect the economy, they affect women the most. Most are employed at 50% or less than men and they are most likely to be working part-time. They are the last to be hired and the first to face layoffs.

Poverty in this city—and I'm going to switch down to the bottom of this. I talk about the average rents and how people are jeopardized by the lack of affordable housing, but I wanted to make the point that in 2002 the average number of people served by food banks in this city per month was 2,554, and 42% of those served were children.

I'd like to conclude and allow some time for questions. I have a lot of responses to some of these issues that I've been working on in the community. But now that I've reached the magic retirement age, I can still

contribute to this community, and I'm finding that the difficulties of poverty in living in this town have become significantly worse. They are unlike any other historical reference to having lived through a bout of poverty.

With that, I conclude my remarks and ask for any questions.

The Chair: Thank you, sir. That leaves us roughly with one question per caucus, beginning with the Liberals.

Mr Peters: Thank you for your presentation, Mr Sexsmith. I was wondering if you could expand. Under "Housing" you talked about appropriate taxing powers for municipalities. Do you have some thoughts in mind as to what we should be doing to help municipalities raise new revenues?

Mr Sexsmith: The first thing I think they could do is that the province could match the federal government's commitment to affordable housing, as one step. The second thing is the fact that the province has eliminated the housing ministry and you can't get a program approved now, even if you do have a partner in the community who's willing to build housing, for up to six months to a year, and in some cases 18 months, because of the rules that are being applied to the building of new affordable housing and for transitional housing. If you could put back some staff people in the housing ministry and create a proper housing ministry that could respond and get these projects built, it would help to alleviate an awful lot of people who are now living in homeless shelters, and that's women, children and men.

The Chair: Thank you, sir. We're going to move on to the third party.

Mr Christopherson: Bob, thank you very much. I've known Bob for over 25 years now. His entire adult life has been spent in fighting for justice, and particularly speaking out for those who don't have the opportunity to do that effectively. In my last go-round here, Bob, I want to take just a minute to thank you for a lifelong commitment that you've made, and you continue to do it way beyond the call of duty.

I have not so much a question maybe, and I'll give you a chance to respond, but I was quite taken aback to see that here in London, a community that I think most perceive as being fairly affluent, there are over 2,500 families per month using food banks. It just doesn't fit with the image most of us have, Bob. What's behind it?

1310

Mr Sexsmith: I think part of it is the cutbacks in government programs that were available to people who had a need that was not being met by their income capacity.

The other thing we find is that the city is even at odds to find out why their welfare rolls at the municipal level have gone from around 7,000 up to pretty near 9,000 people per month. These increases are directly related to the policies that we have for OW and ODSP. I'm finding that even at the food banks they talk about how 17% of the people who used it had no source of income, from the government or anywhere else. That's an alarming figure

when you add to that the number of children who are going to school hungry. We have meal programs that feed kids breakfast in this town. London does not talk about that. I've worked with the homeless coalition, and in the last year, since just before Christmas, we started to get the media looking in depth at a lot of these issues. I really think it would be a wonderful first step on this budget if you returned the 21.6% cut to welfare. That would be a tremendous first step.

The Chair: Thank you, sir. We'll move to the government side.

Mr Beaubien: Thank you very much for your presentation. In your opening statement, you mentioned that "provincial government spending," and these are your words, "is higher than it was when the current government took office." Yet you talk about government cutbacks. How do you square that round peg for me?

Mr Sexsmith: Well, a lot of the cutbacks have been in employees. You've eliminated people in the environment ministry, in the health ministry and in community health programs. You've changed the way hospitals are structured, with nurses not being available, and you're now delaying operations in the hospital sector by up to 18 months to get simple cataract surgery.

Mr Beaubien: But you're avoiding my question. That doesn't mean—the spending has increased.

The Chair: That's all the time you have, sir. We'll have to move on.

Thank you, Mr Sexsmith, for your input and your thoughtful comments. We appreciate it.

Mr Sexsmith: Thank you for the time.

ALLIANCE OF CANADIAN SECOND STAGE HOUSING PROGRAMS (ONTARIO CAUCUS)

The Chair: Our next presenter is the second-stage housing alliance. I would ask that you please state your name when you speak so that we clearly are able to record it for Hansard. You have 20 minutes for your presentation. If you have any time left over in that 20 minutes, it will be available for questions. Welcome.

Ms Shelley Yeo: I'm Shelley Yeo from second-stage housing here in London.

Ms Ruth Hyatt: I'm Ruth Hyatt. I'm with second-stage housing in St Thomas.

Ms Carol Montag: I'm Carol Montag, Phoenix Place second-stage in Hamilton.

Ms Tonia Milner: My name is Tonia Milner, and I'm a survivor of domestic violence.

Ms Yeo: On behalf of the membership of the second-stage housing alliance, Ontario caucus, we wish to thank you for the opportunity to come before this committee. We are here to speak to you about the continued viability of second-stage housing programs in Ontario. Our membership shares a belief that the safety of women and their children who are fleeing abuse is a fundamental priority. Once again, we implore this committee to urgently recommend annualized funding for second-stage

housing programs in Ontario and that it be a priority in the upcoming budget.

Studies have shown that women are most at risk when they are escaping from their abuser. Second-stage provides additional safety and support during this dangerous time when women and their children are leaving the abusive environment. The federal government has declared woman abuse a major public health issue. More women are injured or killed by woman abuse in this country than by automobile crashes, muggings and rapes combined.

In 1995, second-stage programs in Ontario lost all provincial funding that had supported on-site counselling and support programs for women and children. Since then, second-stage programs have continued to struggle to stay open. There has been a significant loss of programs, staff, and ultimately safety and support for the women and children who access the programs and the persons who staff them.

Second-stage programs in Ontario and the women and children who are seeking safety need the support of the Ontario government. Please listen carefully to our concerns.

The first second-stage program in Canada was built in British Columbia in 1979. Second-stage programs were developed in response to an identified need for transitional safety and support for women and children leaving abusive relationships. Emergency shelter workers witnessed women having to return to abusive partners when leaving shelters because of a serious lack of safe, affordable, and supportive housing alternatives in the community. The lack of affordable housing in the community is more acute today, making the need for second-stage housing for abused women more necessary now than at any other time in its history.

Today there are 27 second-stage programs operating in the province of Ontario. The facilities range from two to 40 units, with an approximate total of 375 units. They are typically self-contained apartment, townhouse or single-family units where women can live independently with their children. Though second-stage programs may vary in size, configuration and management style, the mandate of all programs is to deliver services which contribute to keeping women and their children safe.

A 1996 survey by Canada Mortgage and Housing Corp shows that safety is the number one reason that women, with or without children, seek housing at second-stage facilities. In many programs, safety and security have been compromised for two reasons: there are insufficient funds to repair, maintain and upgrade security systems, and there is insufficient staff to ensure safety policies and procedures are followed.

This past year has continued to challenge those of us who are committed to providing safe places to live for women and children fleeing violence in their homes. The most recent report from Stats Canada, dated September 25, 2002, reports that "the number of men accused of killing their current wife or ex-wife rose from 52 in 2000 to 69 in 2001, with virtually all of this increase occurring

in Ontario." These numbers do not even count the number of women who were in intimate relationships other than marriage or the other innocent bystanders. Unfortunately, this news is not a surprise to many of us. It is, however, appalling to think that women and their children continue to be targets of this violence. We must increase our efforts to end these atrocities against women and their children.

Women living at second-stage are usually on a low fixed income. Supporting women in creating a safe home for themselves and their children will enable them to achieve stability. During their stay, women are able to set goals and objectives and connect with appropriate community resources, and are provided the opportunity to build on new skills as they move on to economic independence.

Since the Ontario Ministry of Community and Social Services cut 100%, or \$2.56 million, of funding from second-stage facilities, all programs have changed. Counsellors who come to the facilities from community services are not able to provide the level of trust and continuity of support and service that is necessary to assist women.

According to the Southwestern Ontario Shelter Association's November 2000 report *Knowing What We Do Best*, "Among the women who were living with their abusers when they entered the shelter, fewer than one in four intended to return to a home in which the abuser would be present." In fact, many of these women do seek support from second-stage.

Partnerships between violence-against-women agencies and community groups are used to develop prevention initiatives and public education events and co-ordinate the services provided to victims of violence. Most staff in second-stage programs report that it is difficult, if not impossible, for them to attend violence-against-women services community coordinating committee meetings, children's services coordinating committee meetings and domestic assault review teams because of a serious lack of time, money and staff. This not only puts the women and children we work with at risk; it also puts the staff and other support agency workers at risk of violence.

Credibility has become an issue for second-stage programs throughout the province. Systems were in place when programs were funded to ensure that the programs were supportive, responsive, and accountable to the women and children using the programs. The complete withdrawal of funding to support the counselling services disconnected the programs from the government body that gives direction to all other violence-against-women service providers. Therefore, we are no longer directly involved in policy development and program planning, which also means that the women and children using our services have been taken out of the decision-making process.

Ms Hyatt: There have been two significant coroner's inquests into the deaths of women who were murdered by intimate partners in Ontario. The inquest into the death of

Arlene May, who was murdered on July 2, 1998, resulted in 213 recommendations, of which 203 were directed at the government of Ontario. Some of the recommendations have been addressed; however, almost all significant long-term initiatives undertaken by the Ontario government have been focused on the criminal justice system. Most abused women will not use the criminal justice system to address the violence, and even when they do, women report that they still need ongoing supports through well-trained women's services.

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In June 2000, Ralph Hadley broke into the home he had shared with his estranged wife, Gillian. Gillian Hadley, who was from Pickering, Ontario, and was the mother of three children, was murdered on that day. Since her tragic death, more than 65 women, their children, friends and family members have been murdered by known abusers. The coroner's inquest into the murder of Gillian Hadley was released in February 2002, with 58 recommendations. The following two recommendations are directly related to second-stage programs:

"(23) We recommend that the government of Ontario and the government of Canada immediately provide new funding for developing additional permanent subsidized housing units and second-stage subsidized housing units—medium-term housing with supportive counselling and advocacy services—sufficient to meet the current and forecast needs for the subsidized housing in each community in Ontario"; and

"(38) We recommend that the government of Ontario, through its various ministries but in particular the Ministry of Community and Social Services, ensure that all community-based women's anti-violence services, including shelters, are appropriately funded."

Attached is a partial list of the names of women and their children who have been murdered by intimate partners in 2002 alone, according to Woman Killing. These women have names, they have faces and they have families, and we will continue to remember them and all those before them. These women were your constituents, and the women we continue to serve are your constituents. Please consider this when making your decisions.

Ms Yeo: Our hope is that you and your government will find, as we do, that this situation is intolerable and must be changed. The Ontario caucus of the Alliance of Canadian Second Stage Housing Programs is requesting the inclusion of annualized funding in the amount of \$5 million for second-stage programs in the next provincial budget. We are also asking the provincial government to become a full partner in the struggle to save women's lives.

In closing, I'd like introduce to you Tonia Milner, who would like to tell her story. Thank you for your attention, and we'll be happy to answer questions after Tonia has spoken.

Ms Milner: First, I'd like to say thank you. It's a great honour for me to speak on behalf of the rest of the women and children who are subjected to domestic violence each and every day.

My name is Tonia, as you heard, and I'm a survivor of domestic violence. Before April 2000, I had never heard of Phoenix Place second-stage programs, but I did realize that I had spent the last eight months to a year in an extremely abusive relationship. It didn't take long for me to realize that this was not a good situation for me or my daughter. It was the hardest thing I ever had to do: to leave. Where would I go? Where would it be safe? How would I take care of my daughter? What about work? How would I make ends meet?

That's how I ended up at Inasmuch House, one of the shelters in Hamilton. But you are only allowed six weeks in a shelter. In those six weeks you have to get it together: how do I find an apartment, go to work and get my daughter to school, let alone save up enough money to pay for the apartment and furnishings and all the clothes? All I had when I left were the things on my back and as much as I could cram into a duffle bag. I had nowhere else to go. That is when the counsellor at Inasmuch House introduced me to the Phoenix Place second-stage program.

When I first moved into Phoenix Place, I remember feeling scared and confused, and most of all alone. How was I going to cope? I resented Phoenix Place for what it seemed to represent to me, the bitter reality that it reminded me of every day. I really didn't want to be there, but I knew I had to be there to make things better for my daughter and me.

It took a few months to settle in, but by Christmas all the other residents were moved in and we were all on our way to some sort of recovery, each one of us with our own tale to tell: five women from five different walks of life, from five different financial statuses, with and without children, all with the same understanding.

The year went by very fast. It was time for my daughter and I to move on to new things in our lives. As I look back, two and a half years later, I realize that I no longer resent Phoenix Place for what it represents to me. I realize how extremely lucky I was to have Phoenix Place. If I had never been introduced to that program, I wouldn't be here today; I'd be with Gillian Hadley and Shannon Cruse.

Thank you for your time.

The Chair: We have about a minute and a half per caucus, and we begin with the NDP.

Mr Christopherson: Thank you all for your presentation. No matter how many times you hear these things, they remain as disturbing as the first time you hear them, and the government has some things to answer for here. I recall that this was a party that, when in opposition, talked, for instance, about the absolute sacredness of juries' recommendations because, in my opinion, they found it politically convenient at the time to use that as a weapon against the government of the day, which was us. But once they got into power, they were very selective about which juries' recommendations they moved on. The Gillian Hadley recommendations and jury findings have been raised in the House; I can't tell you how many times Shelley Martel stood on her feet and

raised them and gone after the government and said, "You've got to do something." Again, we listen to the government brag about all the things they say they've done, and we've asked them over and over again, "Put the counselling funding back in place with second-stage housing, because without that you don't have what second-stage housing is meant to be."

You make some reference in here to how much difference that counselling makes. Can you expand on that a little? Some people might think it's sort of a nice little add-on that really isn't necessary, and yet your message is that it's core to everything that's done there.

Ms Hyatt: I think what we find is that when you're able to offer in-house counselling to the women, you're there on a consistent basis. Often the women we serve are still reeling from the effects of the abuse, and they need the consistency and availability of support that will help them become much more stable and help them to move on in a healthy way. If it's not there—it's bricks and mortar, and they obviously aren't accessing the support they need.

Mr Christopherson: Thank you. And thank you particularly, Tonja, for sharing your personal experience; it takes a lot of courage.

Ms Milner: If I may add about the counselling, I'm out two and a half years and I still undergo extreme amounts of counselling. I see three counsellors. I saw a counsellor then, but I still have to go. One of the most intricate parts of the whole system is having somewhere to go and someone to talk to.

The Chair: We move to the government side.

Mr Sampson: Thank you for your presentations and, Tonja, for your courage to come before us and give us your story. I have two questions, if I may. How did you come to that \$5-million figure? You're suggesting that \$5 million be re-established for second-stage housing programs.

Ms Yeo: Partly because of increased costs—some of the second-stage housing programs have closed and other ones, amazingly enough, have actually come to fruition, so there are some new programs since then—and in order to provide the programming we think the women and children need.

Mr Sampson: Some of our challenges in any social service and health service spending is figuring out where in the province existing money and even new money gets spent, and allocating that money to the various regions and jurisdictions of the province. So the background on how you get to \$5 million will help us understand where the needs are. I would guess that in some parts of the province there is more need than in others. That's what I'm trying to get at.

If there is new money, do you have any advice as to how it gets allocated? That's usually the second challenge, after you figure out you've got more money to spend. The next question is where?

1330

Ms Yeo: Evenly would be nice. I think that the needs in some communities are higher or greater, or that some

of the programs have been lost, in the northern part of the province for sure. Most of the second-stage programs are in southwestern Ontario, or southern Ontario, anyway—a lot of them. The programs in northern Ontario haven't been able to receive the same kind of support. We were really at odds for quite a while after we lost our funding and weren't able to re-establish a connection, but are starting to do that again.

Some of them are just housing now. Some of them have not been able to continue the safety part of the housing, and the counselling.

The Chair: We move to the Liberal caucus.

Mr Peters: We often hear from the government side all the positive things and the good things in the province. I think what struck me, of everything we've heard today, is how many people have been left behind by this so-called revolution. It's sad, it really is. I hope that the government members are listening and reading these presentations, because there is a significant number of individuals in this province who haven't enjoyed the benefits that a lot of people have. I think we do need to do something about that.

I take my hat off to you. I don't know how you've managed over the seven years. Your fundraisers must be just burnt right out. The challenges that you face—I know locally we've had one of the bingo halls close, and that's going to put a real dent into fundraising efforts.

We talk a lot about urban centres, but how much more work do we need to do in rural Ontario to ensure that the needs of women and families who may be isolated from an urban centre—is there a lot of work to do yet in rural Ontario?

Ms Hyatt: I think, because second-stages were cut off before we really got going—there were only 23 of us in the beginning. With the first one in Ontario being developed in 1989, there really hasn't been a lot of development since that time. There are a lot of areas that could benefit from development of second-stage, and it hasn't happened.

The Chair: That concludes your time. Thank you, ladies, for your presentation. We really appreciate it.

BLUEWATER COMMUNITY HEALTH CENTRE STEERING COMMITTEE

The Chair: Our next presenter is the community health centre steering committee. You have up to 20 minutes, sir, for your presentation and any questions we might have time for.

Mr Jim Houston: My name is Jim Houston. I'm chairman of the Bluewater Community Health Centre Steering Committee. My colleagues are Mr Jim Larocque and Mrs Mary Feniak.

I'd like to take this opportunity to thank the committee for allowing us to make a presentation on behalf of the Bluewater Community Health Centre, which will serve, if approved, Sarnia, Point Edward, the municipality of St Clair and portions of Lambton county. Our presentation

is visual, but you do have hard copies available that have been distributed.

This is our overview of the Ministry of Health and Long-Term Care vision as it applies to the community health centre. We will attempt to show you what the vision of the government includes; how community health centres fit into the vision; we'll explain our proposal; we'll try to explain why it meets your needs and the needs of the government; and we'll conclude with the reasoning as to why we need a community health centre and how it, again, fits your vision.

The vision of the Ministry of Health and Long-Term Care, as quoted in the long-term care business plan of 2000-01 of the Ministry of Health, states that primary health care reform is "an accessible health system that promotes wellness and improves people's health at every stage of their lives and as close to their homes as possible." Your action plan to support this vision focuses on new programs, services and facilities that will help "keep people well, detect illness sooner, expand community health services, build on the strengths of our system, and improve quality of life." These goals were stated in the Ministry of Health and Long-Term Care business plan, once again, in the year 2000-01. We are here to help you make this vision a reality.

Community health centres, which I'll refer to as CHCs hereafter, are an excellent means of accomplishing this vision. They exhibit most of the features that have been recommended as desirable in reforming primary care. They are an alternative to fee-for-service payment. They implement interdisciplinary teams, community involvement and governments. They provide 24/7 service availability and they coordinate service.

CHCs are accountable through community board governance, service agreements and accreditation. They meet the ministry goals and deliver on ministry strategies.

The Coalition for Primary Health Care in Ontario has stated 12 principles as the foundation of reform. They are: to ensure access to a wide range of comprehensive services; to provide primary health care 24/7; to establish disciplinary group practices; to service the community base and community need; to provide primary health care, which must not be for profit; to work under community boards; to stimulate enrolment; to accept funding that is appropriate to the community's needs; to provide information management, coordination of care, rights, responsibilities and accountability; and to provide continuing education. That is what a community health centre does.

The Romanow commission report states that the components that make up primary health care include treatment combined with disease prevention and health promotion; services not only for individuals but also for communities; teams of professionals, not just doctors, available 24/7; services addressing the needs of the population that is served; and decision-making decentralized to the community-based organizations. That is what a community health centre does.

Community health centres are cost-effective. It has been stated in the Association of Ontario Health Centres' strategic review that CHCs have a multidisciplinary team approach using allied health professionals such as nurse practitioners, health promoters, social workers etc, which improves coordination of patient care. Patients see the family physician less often because of the accessibility to other health professionals. Therefore, we would provide more care for less money.

Community health centres provide access to those who experience barriers because our community has a shortage of health care professionals. Sarnia, Point Edward and the municipality of St Clair have an acute shortage of family physicians. We are now designated as being an underserved area, 29 physicians short. This has resulted in an estimated 10,000 to 15,000 families without access to services except through the hospital emergency department or the one walk-in clinic that we have in the city.

Given the nature of the clients who do not get primary health care, such as youth in transition, moderately mentally ill adults and the marginalized and hard to serve, if one look at those who have difficulty in accessing primary health care, the CHC model is the best model for these individuals. These patients are challenging to serve and they take more time and flexibility. They also benefit from access to other health professionals who are part of the primary health care team, such as health promoters, nurses and counsellors. These individuals need a comprehensive plan of care and continual monitoring.

CHCs have a strategic role to play in meeting the primary health care needs of groups that face barriers to access. Community health centres have comprehensive programs to promote wellness and prevent disease by using a coordinated team approach to providing primary health care. CHCs provide the maximum use of allied health professionals as they are part of the primary health care team, which is a shared responsibility.

Community health centres attract health professionals such as family physicians and nurse practitioners. We believe that graduating family physicians are willing to come into a CHC setting as they have no overhead and administrative responsibilities. CHCs also allow for a 40-hour workweek and time off as they have a team of physicians to cover the clinical area.

CHCs maximize the skills of all the health professionals on the team, whether it is the physician or the nurse practitioner. CHCs are one way of meeting the primary care needs in underserved populations.

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We have a proposal. We have written and submitted it. It has been funded by local resources and we have tried to be cost-effective in our activities to date. We've had financial support from Sarnia, Point Edward and the municipality of St Clair, the labour sector and the private sector, Lambton Seniors Association and many volunteers from our community. The proposal is supported by the populace in that we gathered over 11,000 signatures

on our petition. It was further supported by local agencies and service providers, whereby we received over 55 letters of support. It was supported by the Essex Kent Lambton District Health Council, which gave much of the research data in our proposal.

Municipal councils supported our proposal in the city of Sarnia, the county of Lambton, the municipality of Point Edward and the municipality of St Clair. All three councils passed a motion to support our proposal.

We have a member of the chamber of commerce working with us on this proposal. Mrs Feniak and I also sit on the Sarnia task force for the recruitment of health care workers and family physicians.

This proposal was submitted in May 2002, and we had overwhelming support from the community. It was amazing how the whole community spoke with one voice. We are now awaiting approval from the Ministry of Health and Long-Term Care.

Our need for a CHC: one asks, why do we need a CHC in Sarnia, Point Edward and the municipality of St Clair? We have a shortage of doctors and health professionals and we are designated as underserved.

We have an older population. Seniors traditionally access the system more, and also take more time per visit because they usually have more complex medical problems. We estimate that 1,876 seniors 65-plus years of age need a family physician.

We have identified a serious need for primary health care for those who have barriers to access to the health care system. We have identified five high-risk groups in our community that need access to primary health care.

We have estimated that there are 10,078 in need of a family physician. There are 2,708 youth in transition who need access to primary health care. We have 2,008 people who are marginalized and hard to serve and need access to primary health care. We have 2,800 moderately mentally ill adults who need access to primary health care. We feel that our CHC proposal truly reflects the needs of our community.

You ask what is in the proposal? The budget is \$2.25 million in year 1, growing to \$3.3 million in year 3. The initial complement will include a staff of 26: four family physicians and six nurse practitioners in year 1; six family physicians and six nurse practitioners in year 3. We expect 5,000 clients in year 1, growing to 15,000 in year 3. Four out of the five priority groups with high-risk needs are presently estimated at 8,000 people.

In conclusion, our community is waiting. We desperately need more primary health care. We have a well-thought-out proposal that the community has supported. We want to help you achieve your vision for primary health care reform by establishing a community health centre. We have demonstrated that we assumed our portion of the responsibility toward improved primary health care in our community and we ask that if the government wishes to demonstrate its commitment to primary health care reform, please allocate the funds for our community health centre in your budget for 2003.

Time is of the essence. Up to 15,000 clients in Sarnia, Point Edward, St Clair and surrounding district, as well as over one million clients in more than 100 communities in this province, are asking for increased primary health and community care services through the health centre model. Many have been waiting for over eight years.

Primary care reform is a key deliverable that this government has promised the people of Ontario. Our proposal can help the government keep this promise.

The Chair: Thank you, Mr Houston. We have a little under two minutes each. We begin with the government.

Mr Beaubien: Thank you very much for your presentation. First of all I'd like to commend you and your group for taking the ball and running with this. I think it's a very worthwhile project. I know we've met on different occasions.

In the past five or six days during the budget deliberations, we've heard from the Registered Nurses Association of Ontario. I think they are a strong proponent of the nurse practitioner and the health care centres. This morning, indirectly, we heard from the optometrists also, where they want their power to be broadened so that they can administer drugs. They basically were saying that we've got to make the system more efficient, and I think this is what you're trying to do.

Two quick questions. What is your present relationship with the group that's recruiting medical practitioners in the city of Sarnia? And you mentioned in your presentation that you would provide coverage on a 24/7 basis. Especially when you only have four family physicians with six nurse practitioners, I think that would be somewhat challenging at the beginning. Just your comment on that.

Mr Houston: On your first question, Mr Beaubien, both Ms Feniak and I sit on the task force for recruitment of health care practitioners in Sarnia. That task force at the present time is in the process of recruiting family physicians through the provision of incentives, both financially and materially, to encourage doctors to come to the city of Sarnia. This task force is not totally limited to just doctors; they are recruiting nurses and technicians. At the present time they are working with, from what I understand of late, three family physicians who have indicated a desire or a wish to come to Sarnia.

To answer your second question with regard to 24/7 coverage, it's our understanding that there is technology available in some of the community health centres as we speak wherein the nurse practitioner, as an example, would take a laptop computer home with her in the evening, say after 10 o'clock, and have access to the community health centre files from 10 at night till 8 in the morning, wherein if you called the community health centre she would be able to access your chart and give you direction as to whether you should go to emergency, or suggest medication or whatever.

The Chair: We move to the official opposition.

Mr Kwinter: Thank you very much for your presentation. Over the years that I've sat on this committee

visiting many communities across Ontario, we invariably get a presentation on community health centres, and I think it's the way to go because it really solves the problem.

The question I have follows up on Mr Beaubien's question and your response. You say that your area is designated as an underserved area as far as both doctors and health professionals. If you can't get a doctor to come to the community to practise as an individual, what is the attraction to get that doctor to come and participate in a community health centre? I know that you've got a task force looking for them, but what is the incentive to attract them?

Mr Houston: From what we have been told through some of the recruiters we contacted when we were putting the proposal together, it's our understanding that a goodly portion of the family physicians who are practising today detest the paperwork and administrative and overhead that's required when they operate a fee-for-service practice. I've had family physicians right in Sarnia tell me, "If I didn't have a mortgage on my building, I would love to come to work in a community health centre, because you have none of the overhead or none of the administrative work." We've been told through recruiters that the young doctors who are coming out of medical schools today would just as soon come to a community health centre setting wherein they don't have any of the administrative and overhead to deal with.

Mr Christopherson: Thank you for your presentation. Obviously a lot of community work has gone into the development of this. I gather from your proposal that you're ready to push the button; you just need the OK from the ministry and you're on your way.

Mr Houston: We're presently waiting for approval from the ministry and then the next step is bricks and mortar.

Mr Christopherson: Do you have something already in mind? Are you actually that far along?

Mr Houston: We have several locations that are desirable and we have expressed the wish of that being where we would establish it, but of course, without approval, we're not in a position to make any commitment to any of these.

Mr Christopherson: Certainly. It's a very impressive presentation. The only other question I would have in the time remaining is that you mentioned there was a population base of 8,000 to draw upon in terms of those who were at risk and who could be served.

Mr Houston: Four out of the five.

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Mr Christopherson: I was just curious: where and how are these individuals accessing their health care now?

Mr Houston: Either through emergency or we have one walk-in clinic, or none at all.

Mr Christopherson: For probably a lot of them, none at all, or for some.

Mr Houston: Particularly for youth in transition and the marginalized and hard-to-serve focus groups, I would suspect that they're not having any primary health care.

Mr Christopherson: In conclusion, let me just say that I agree with Mr Kwinter. We hear it in every community. I have two of them in my riding. They work. They are the way to go, and I applaud your efforts on behalf of your fellow citizens.

The Chair: Thank you, Mr Houston and all of you, for the presentation. We wish you well.

CANADIAN FEDERATION OF UNIVERSITY WOMEN ONTARIO COUNCIL

The Chair: Our next presenter is the Canadian Federation of University Women Ontario Council. Good afternoon, ladies. Welcome.

Ms Edeltraud Neal: Good afternoon. I am Edeltraud Neal. I am president of the CFUW Ontario Council. I live in Ottawa. I should also like to introduce my colleagues Margaret McGovern from Scarborough-Agincourt, Teri Shaw from Oakville, and the president of the London, Ontario group, Norma Exley, who came to give us moral support.

Mr Chairman, members of this committee, we are pleased to have this opportunity to address you on behalf of CFUW Ontario Council. Our group has been part of the fabric of this province for a long time. CFUW Ontario Council is made up of approximately 6,000 women university graduates from all the regions of Ontario. We are totally self-funded. Our members live in big urban areas as well as in rural and northern towns. We are non-partisan and non-sectarian. When voting on policy, each of our clubs has one vote so that members from Thunder Bay and Renfrew and St Thomas have the same weight as those from Toronto and Ottawa. This results in well-balanced policies that may be embraced by most Ontarians.

We are businesswomen, scientists, teachers, university professors, nurses and physicians, seed specialists and engineers, farm women and artists, accountants, soldiers, policewomen, wives, daughters, mothers and grandmothers. All put their skills and education at the service of their community. We don't have any particular axe to grind. We are a very diverse group.

We are not a charitable fundraising organization. Our clubs nevertheless award more than \$200,000 annually in scholarships and bursaries to students in all the regions of Ontario and to charitable and cultural causes.

The policy areas that we propose for your urgent consideration have been identified as a priority by our members at the AGM in October 2002. This brief has as its basis CFUW Ontario Council policy. Margaret McGovern will speak on health and Teri Shaw will speak on education, so I will cover the other issues.

Our members are very concerned about the child care situation in this province. Not only has the integration of non-parental care services and childhood education as requested by the McCain-Mustard report not occurred, but funding for what non-parental there is has been threatened.

We note that in Ontario, of the more than 500,000 children five years and under with mothers who are working, there are currently only 139,000 regulated child care spaces; ie, 72% of young children do not have access to quality care. To quote the McCain-Mustard report, "The better the care and stimulation a child receives, the greater the benefit—for the national economy"—the provincial economy, of course—"as well as the child."

Because of poverty, many children are not able to grow up healthy and to achieve in education and in life. Whatever the reasons for the poor economic status of these children, our members do not want to see Ontario children without a safe and secure place to live. We ask your government to consider the alternate costs to us all: the cost of lost human capital, the extra health and remedial education costs, and the cost to all of us from dealing with crime that results from the consequences of poverty and homelessness.

We urge the Ontario government to make a serious effort with this budget to help our province to become a place where the homeless have at least warm and safe shelter, and low-income families have affordable housing.

We want to see ended the practice that houses children in protective custody with young offenders. These children have not committed any crimes and should therefore not be treated as criminals. Provincial funds have to be found to house these children where the character-forming influences will be such as to engender good citizens.

For immigrant families to have a chance for a more stable future, it is essential that immigrant women receive ESL instruction. We ask the Ontario government to continue to fund adult ESL instruction and to provide funds that help certification bodies to develop equivalency exams and profession-specific ESL instruction to remove the barriers that prevent skilled and professional non-nationals from working in their professional field. We applaud the Ontario government, which has promised to do something in that line for foreign doctors.

Our members advise your government to give itself enough financial resources to maintain the health of our Ontario environment. High-quality public education and economic success are for naught if our next generation will be suffering from physical, neurological and cerebral damage from the ill effects of pesticides, bad water and toxic air. We commend the Safe Drinking Water Act in response to the Justice Dennis O'Connor inquiry, and ask for the funding of measures that ensure that water in Ontario remains in safe and abundant supply and that the control of all water rests in the public domain.

Cosmetic pesticides are non-essential and may be easily banned from Ontario's environment. We urge the Ontario government to underscore the seriousness of this area of public policy with its budget. Some municipalities are struggling with an outright ban on cosmetic pesticides, but realize that the public has to understand the consequences of indiscriminate use of these chemicals first.

Our members recognize that the Kyoto Protocol may not be the perfect multilateral agreement, but they want their Ontario government to join the other governments and take part in an all-Canadian effort to further this global push to reduce carbon dioxide emissions. The Ontario government can command the expertise and the financial and tax incentives that can result in a solution that includes industry, business and private citizens.

Ms Margaret McGovern: Good afternoon, gentlemen. My name is Margaret McGovern. In October 1995, the Ontario Council of CFUW passed resolutions at its annual meeting supporting the Canada Health Act and its five principles.

With the announcement of the formation of the Commission on the Future of Health Care in Canada, the Canadian Federation of University Women sent a questionnaire to the members of its 122 clubs in all 10 provinces in order to prepare a brief that was subsequently presented to the commission. In the responses there was overwhelming support for maintaining the five existing principles, as stated above, and for sustaining our public health care system.

1400

The Ontario health care system needs more money. We support the call of the premiers that the government of Canada must restore its share of the funding of health care. However, we also support the position of the federal government that accountability for funds transferred needs to be introduced to the system. We support the introduction of a health council to oversee the spending of health care dollars. We would suggest that the council have representation not only from the federal and provincial/territorial governments, but also have consumer representation. After all, it is our money. We are concerned to read in a recent newspaper account that Mr Eves believes some of the transferred funds should go to pay back accounts from which he says some of the health care monies came.

We are concerned with the ongoing privatization of health care facilities and services in Ontario, such as the private cancer clinic at Sunnybrook and Women's College Hospital, the proposed for-profit hospitals in Brampton and Ottawa, and proposals for private MRIs and CT scans. At the Romanow hearings in Toronto, the Ontario Minister of Health was invited to send to the commission documentation to demonstrate that private, for-profit care was more effective and efficient than public health care. We can only assume that this was not forthcoming, as there is no documentation in Building on Values: The Future of Health Care in Canada.

While there is nothing inherent in the concept of public health care that would deny private sector involvement per se as the mode of delivery of health care, there is strong feeling and widespread concern that the wholesale privatization of health care would inevitably undermine universal accessibility to health care in Ontario.

In his report, Roy Romanow indicated that he could find no documentation to support private sector delivery of health care. He could find no studies to indicate that

private sector delivery is either more efficient or more economical. Rather, he argued that private sector delivery of health care was actually found to be less efficient and more expensive than public sector delivery.

CFUW Ontario Council urges the Ontario government to: protect the five principles of health care by providing sufficient funding to prevent the need for user fees; provide public delivery of health care, promoting existing community health centres, whose mandates closely reflect the primary health care structure described in the Romanow report; provide integrated health and social programs; provide for appropriate home care; and ensure that there are sufficient numbers of trained health care providers in every community in Ontario.

The government of Ontario is to be commended for extending the funding for nurse practitioners and for establishing a program to fast-track internationally trained doctors who wish to practise in Ontario.

Primary health care reform has been recommended by several recent reports, including Romanow. We have some concerns with the family health networks being funded by the Ontario government. These seem to be a model to cluster family physician services, rather than the multidisciplinary approach recommended by most experts. In fact, we are puzzled that the existing community health centres that are closer to the primary care model recommended have had no increase in their core funding for nine years. We understand that there are 70 communities that have submitted requests to the Ministry of Health to establish community health centres, without success to date.

We appreciate the efforts of the government of Ontario to protect the five principles of health care. We suggest there is more work to be done. We hope the budget will reflect a further commitment to the sustainability of a public, universally accessible health care system and to the people of Ontario through funding and program development, as described above.

Ms Teri Shaw: Good afternoon. I'm Teri Shaw. I am with OCCFUW. Funding continues to be a key issue for education in Ontario. Many of the problems in public education cannot be addressed without adequate funding. Long waiting lists for special-education evaluation, the loss of daily physical education and specialists to teach it; cuts to teacher specialists with training in music, the arts and library sciences; increases in average class sizes; long bus rides to schools; and reductions to ESL support have all resulted from the increasingly tight budgets and dwindling reserve funds that school boards have been forced to work with.

In the spring of last year, the Ontario government undertook to review the education funding formula through the Education Equality Task Force. We applaud the Ontario government for this effort to re-evaluate the public education funding formula, and we appreciated the opportunity we had to make our presentation to that task force.

It is our sincere hope that the government will fully implement the 33 recommendations of that task force.

Through his recommendations, it is clear that Dr Rozanski agreed with our assessment that the current levels of education funding in Ontario are not sufficient to meet the individual intellectual, emotional, psychological and physical learning needs of each student in Ontario. We support Dr Rozanski's recommendation that the Ministry of Education update benchmark costs for all components of the funding formula to reflect costs through August 2003.

Since 1996, school board budgets across Ontario have decreased by as much as 20% in real dollars, and school boards have lost financial resources necessary to implement the curriculum because inflation has reduced the value of its allocations. School renewal allocations need to be included to address both the most pressing school renewal needs and deferred maintenance. School boards with older facilities have been forced to delay maintenance in order to balance budgets. The Greater Essex County District School Board estimates a need for \$17 million annually to keep its 76 schools in good repair. Since 1996, the maintenance allocation has been less than \$5 million annually—an annual shortfall of over \$12 million.

Increases to the geographic circumstance grant, as described in recommendation 15, will protect student and staff safety by ensuring that small schools in single-school communities have full-time principals, secretaries and custodial staff to monitor traffic in and out of the school, as well as ensuring a safe, clean and well-maintained school.

Students' social, psychological and physical health can be protected by implementing recommendation 13 and integrating services for children and families.

The effect of changes in education funding and delivery since 1996 has been to reduce the cost of education, but the fallout of the changes is that they prevent local school boards from providing programs that meet Ontario's student needs. Implementation of Dr Rozanski's recommendations will increase the cost of providing public education, but it will also result in improvements to the education being provided. The government of Ontario needs to affirm public education as a key priority by investing in public education funding.

This will end our verbal presentation. You have most of the rest of it in written form. I will now return to Edeltraud Neal, our president.

Ms Neal: Thank you very much for having given us a chance to address you.

The Vice-Chair: We have time for about 30 seconds for each caucus, so I would ask each member who engages in this to be very brief, starting with the Liberals.

Mr Peters: Thank you all for your presentation today. One area you didn't touch on with education has been the proposed tax credit for private schools. Does your organization have a position on that?

Ms Neal: Our Ontario council had a resolution to ask for regulations. We do not oppose the tax credit per se. We understand it was imposed on the Ontario government from outside. We cannot say anything about it

because we do not have a policy on it; it was defeated by our federation. So we don't have an opinion on that.

1410

Mr Christopherson: Thank you very much for your presentation. I want to say at the outset that 1919—that's like 84 years, very impressive. The fact that you start out by saying, "We don't get funded by government, and we're not looking for money for ourselves," is great, because it removes any doubts anyone has.

I just want to draw attention to one thing—there are so many good issues you've raised. I think you're the first one I recall, and I stand to be corrected, who spent most of the time talking about children and the impact of social policies, in all the issues you raised. You also tied in Kyoto. I don't think we do that often enough. We've got to start making the link between environmental issues and our children. When we're talking children, if we're going to talk about education and child care and health care and stable family existence, then we've got to start talking about the environment. As we see with the kids in Walkerton, nothing else really matters once that's gone.

The Vice-Chair: I'll now turn quickly to the Conservatives. Please be brief.

Mr O'Toole: Thank you for your presentation. It's an important voice in the overall discussion. It's the first presentation we've heard from university women in this round on the budget and I commend you.

You've touched on many of the important policy areas, which I would generally state, as did Mr Christopherson, are pretty much linked. Whether it's health, education or environment, they really are linked. Education and poverty may be related as well. All of them are related in the sense of having the proper environment to raise ourselves and our children.

There's one little question I'd put to Ms McGovern. The issue of privacy in health care is a complex debate. The development and evolution of health care and the provision of health care have evolved from the country doctor kind of status to the current multidisciplinary team integration of counselling—medicine or no medicine. It's more collaborative health care. There may be cultural resistance to that collaborative method, as opposed to the doctor only, but others providing advice into the system.

I want to leave one important message: to date—that is, going over the last half-century—about half of the dollars in health care are already private. I was so disappointed when the Prime Minister of this country, in the last federal election, said on national television that there's no privacy in health care. That is either ignorance or a lie.

The Vice-Chair: Mr O'Toole, could you conclude, please?

Mr O'Toole: Compensation, workplace insurance, is insurance money. Insurance in our workplace is insurance money for drugs, vision or glasses, hearing tests. All dental is insurance. This ignorance in the debate, which I think you've pretty much touched on here, has to be clarified by going forward. So we appreciate your input.

The Vice-Chair: Thank you, Mr O'Toole. I'm sorry, but we have to draw this to a close.

Ms McGovern: May I respond to that?

The Vice-Chair: Please be brief.

Ms McGovern: Yes, there is privatized care in our system. But my sense is—and I am a retired public health nurse, so I know of what I speak—that we will continue to have two-tiered medical care, which means some people will not be able to get drugs etc. I'm not here to defend Mr Chrétien, but I do feel strongly that if we further privatize our health care system, we will indeed be getting challenges on the globalized level. Certainly, if you read Romanow's report, he warns very carefully: "Let's not go with any more private care."

I also would like to suggest to you a recent article in the New England Journal of Medicine, which not only shows that private care is not more efficient but that it could be more deadly, ie, people died in hospitals that were run by for-profit public-private institutions as opposed to public hospitals.

The Vice-Chair: I have to draw this to a close. Thank you very much for the work you do and for the presentation you've made today. Your advice is greatly appreciated.

CITY OF LONDON

The Vice-Chair: Next, I would like to call forward representatives from the city of London. Welcome to the standing committee on finance and economic affairs.

Mr Russ Monteith: Thank you very much, Mr Chair. I'm Russ Monteith, deputy mayor and budget chair for the city of London. On my immediate left is George Duncan, who is the city manager. On his left is Martin Hayward, the director of financial planning and policy—in short, that means he puts the budget together. On my right is Mike St Amant, the city treasurer. When we were sitting back there, Martin said he would take notes, and Mike, who is the city treasurer, said he would take the cheques. So if you want to hand them out now, we'll go away.

Mr O'Toole: That's what all the presenters say.

Mr Monteith: No such luck, eh?

We're really pleased that you've come to the city of London with your committee. It's a pleasure to have you here. On behalf of the city, let me welcome you. We hope you enjoy your stay. Steve is no stranger to us. He's always around, though I know he lives just a little south of us. But he represents part of us.

In our presentation to you today, we want to talk about a couple of items which are of some concern to us, and hopefully to yourselves. One is SuperBuild, which we want to thank you for. It helps us greatly. To have anyone put up one third of the money is always appreciated, so we appreciate that.

One of our concerns is that you have a time frame for your SuperBuild projects of five years. The problem is that in our municipal budgeting, five years is a very short period of time, so with your present SuperBuild program

we would really ask you to extend that for a longer period of time. Something in the range of seven to 10 years would make it a lot easier for us.

We in the city of London, and I'm sure in other municipalities, have had a program where we've spent a lot of money, and like you people on the provincial side, we have to try to cut back in certain areas. But we really don't like the idea in SuperBuild if cutting back means giving up the third we're receiving from the province.

I have to tell you that the province has been more generous than the federal government. They gave us less than half of what the province gave us.

The other part of SuperBuild which we'd like you to give some thought to—it isn't something you can do with the present SuperBuild program, but if you put in SuperBuild or something similar in the future—is to give us more flexibility in the projects. In setting up the projects, we first of all had to line them up with the provincial guidelines and then we had to line them up with the federal guidelines. When you put those two together, it takes away from us at the municipality a lot of flexibility in deciding which projects we think will be best for our municipality. So we really would hope you would give serious consideration in the future to letting the municipalities decide or have more say in deciding which projects we want to go ahead with. If we can work that out with you, we would really appreciate it. But we do appreciate what you've done in SuperBuild. That's very positive.

The other thing we'd like to touch on just briefly with you is opportunity bonds. We have given some serious consideration to what opportunity those bonds do present us with. This year we expect that we will be able to reduce our carrying charges through those bonds by \$400,000. We're projecting that over a 10-year period of time, it could be as high as \$10 million in savings on interest. So we commend you for putting in place the opportunity bonds. We're going to make use of them, and we think other municipalities will obviously join in. Any time we have a chance to save money on interest, we, like any other government, want to do that, so we appreciate it.

1420

On local services restructuring, one of the problems we have is that once you've transferred the services over to the municipal side, the standards change on us. The difficulty we have with that is that we get fixed with the costs of those new standards.

In ambulance, for example, you had some standards back in 1996 which were set by the province. The province didn't follow those guidelines, but once you transferred the ambulance services to the municipalities, you imposed those standards upon us. That means there is an extra cost.

One of those standards which directly affects us is response time. The 1996 standards for response time are now the standards that we have to meet. That will cost us in this municipality another \$600,000 this year. You have put up some extra money and we appreciate that, but it's

still \$600,000 which our budget has to meet. That's an example of the standards which, when you change them after the transfer, present a budgeting problem for us, and that's difficult.

The other area where the provincial standards become difficult for us is policing. In this city our crime statistics suggest that crime is going down, but you're putting higher standards on us, and those cost more money. Naturally, when our police force comes to the city of London with its budget asking for funds, they incorporate their need to meet those standards. As a result, the police services board would have come to us with the highest increase in the budget for this year. It seems to me, quite frankly, that instead of just imposing those standards on us, it would be a lot better if we could have consultation away up front on those so we can plan how we meet them and how we deal with them in our budget. But when they come to us too quickly, we have difficulties with that.

The other area we'd like you to look at in your budget for this year is West Nile. If you examine West Nile, it's going to be a provincial, province-wide problem. To try to do it on a municipality-by-municipality approach isn't really going to have the effect we all want. If London puts in place a program to reduce the numbers of mosquitoes in London, and Middlesex doesn't, unfortunately, those mosquitoes don't seem to be bothered by boundaries. And if Middlesex did it and we didn't, they would have the same problem. Really, what we need in this province, where West Nile is going to be a problem, is a provincial standard, and I think not only a provincial standard but, when it's coming upon us so quickly, let me suggest to you that it should be funded by the province.

We had all the budget submissions; we had tabled our budget. It was only after all of that that our Middlesex-London Health Unit came to us at a committee meeting and said we had to come up with half a million dollars for a program they wanted. When we started examining that program, we weren't even sure whether you could do it and what the true cost would be and how effective it would be. It seemed to be based on something that happened in New York City, and whether that would be the same here in this city or in Ontario is hard to say. It seems to me that West Nile is a problem. We've had deaths in this city; we've had deaths all across our province. If we look at the American example, 2003 is going to pose a greater problem for us than 2002, and I think that it really behooves the province to take hold of that issue, put the program in place and put the funding in place to handle it.

The other area in which you are affecting our budget is in the emergency measures. Obviously flowing out of September 2001, we've all had to change our views of how we deal with emergencies. We accept that that has to be done, but again, if the municipal level has to deal with new standards put in place by the province, we have budgeting problems. I think one of the issues we have to look at is, should it be the property taxpayer who bears

the burden, or should it come out of some other form of taxation, out of general taxation? We would ask you to give serious thought to those issues, whether you get involved in giving us further funds.

I have to tell you that one of the big problems we have at the municipal level is how we fund the services that we are expected to provide. At the provincial level and at the federal level, we're going to have to look at how we share those costs. I've been with groups of big-city mayors who have made presentations to the federal government asking for sharing of their present tax funds, and they haven't received this very well. I think, we have to sit down federally, provincially and municipally, and figure out how to deal with that. Just letting the property taxpayer pay the burden isn't going to be the solution to the problem. It just seems to me that if we put our heads together, there are solutions that we can come up with. We'd ask you to deal with that.

In summary, those are the three items: the SuperBuild, the impact that your standards are having upon us and having to look at the issue of how we fund some of these programs that we're putting in place. You and the municipality and the federal government all share the taxpayer. We all have the same taxpayer. We all have the same obligation to provide services to that taxpayer at a cost that the taxpayer can bear. So hopefully we can work together in coming up with some solutions.

Mr Chair, thank you very much for entertaining us here today. If you have questions, let me tell you, these three gentlemen with you, they'd better have answers.

The Chair: Thank you. I'm not sure it's our place to entertain you. However, thank you, sir. We have about a minute each caucus. We begin with the NDP.

Mr Christopherson: Deputy Mayor, thank you for your presentation. You deal with some of the down-loading issues. I certainly have some sympathies, to be fair, on both sides of the argument with regard to policing, having been on a regional council responsible for the delivery of policing in the community and then having been the minister on the other end. I know the pressures to provide upgraded standards and to implement more and more training, for obvious reasons—for public safety—and yet it's left up to municipalities to pay for that. I know in the past the province has been able to provide some support: training materials support, train-the-trainer programs, providing the infrastructure at OPC, the Ontario Police College.

The Chair: Question, sir.

Mr Christopherson: You said "one minute." Never mind; I'll get to it. What I want to get to with that is that West Nile is becoming an issue in every municipality. It is being replicated. I wanted to ask about the spraying in particular. First of all, what have you talked about locally about whether you're going to go down that road, because there is a public health argument happening; and then second, whether you think it ought to be happening on the provincial level so we can bring all the experts, one decision implemented across the board, one way or another.

1430

Mr Monteith: What the medical health unit proposed to us is, the catch basins are a source of the mosquitoes that carry the virus. So they were suggesting that we treat all the catch basins in the city of London—a huge number of catch basins. The reason they're suggesting that's the way to treat it is that in New York City they would have treated the catch basins, and that reduced the incidence of West Nile disease in that city. So the Centers for Disease Control and Prevention in Atlanta were recommending that.

We are going to have our civic administration look at that program and other programs. It's a very expensive program. If you do it three times to be totally effective, it would cost \$800,000 to \$900,000. The other problem is you have to have people who are capable of doing the treatment, and if you had a rain after every treatment the effectiveness of the treatment would wash away. So there are some problems with that. The spraying—I have to tell you, we'll have a lot of reluctant citizens if we're out there spraying pesticides. That's the problem I think we have with pesticides.

The Chair: We move to the government.

Mr Sampson: I don't know if I get your message completely on the standards issue. You seemed to bring up an example of policing where the provincial standard was maybe in excess of, if I read you correctly, what you might want here; on the ambulance side it was the same. Are you saying that in some areas there should be sort of a range of standards that the local folks can pick from?

Mr Monteith: I guess the problem we have with the ambulance standard is you're using a 1996 standard which the province didn't comply with and you're suddenly telling us that we have to comply with it, and we have to suddenly put up another \$600,000 to meet that standard. The standard may be a good standard; the problem really is in the funding. It seems to me that if we suddenly have to come up with another \$600,000, it would be fairer if you could give us some financial aid so you would spread the cost of meeting the standard over a period of time. George may have some other thoughts on this.

Mr George Duncan: I think the deputy mayor highlighted that it's really an issue of timing as well. We completed our budget process and then we received a notification saying, "This is the new standard that must be met." The service is contracted, and the language would be such that the contractor would have to meet that standard. Then there's the question of whether there's some obligation to pay the contractor more money. The city had to come up with \$600,000 after the fact, and I guess prior consultation would have been helpful, particularly if it's imposing a standard that the province never did meet when they had ambulance.

The Chair: We move to the official opposition.

Mr Peters: You pointed out in your presentation a number of areas where you've had difficulties meeting standards. You've got the area of unmet needs. We've heard talked about, over the years, giving the muni-

capitals this tool chest to find new ways of raising revenues locally. Is that what you were implying when you were saying we need to sit down with all three levels, or do you have some specifics in mind, Russ, of areas that could be a new source of revenue generation for municipalities?

Mr Monteith: Steve, let me give you an example. The big-city mayors proposed to the federal government that we do it on fuel tax. Their response was, "We don't think the provinces will agree to it. There is a constitutional issue, and if the provinces don't agree, it won't happen." That's why I'm saying that all three levels of government have to sit at the table and come up with a solution, probably creatively enough that we don't make it a constitutional issue. That's one example. I have to tell you, in Calgary and in Vancouver they already have some sharing of fuel tax, and I think Edmonton also shares in that. Other provinces have been able to do it, and it seems to me, if they can do it, we can do it.

The Chair: Thank you, sir, and that concludes your time. Mr Monteith, I will give you a public apology on behalf of the committee because in the public agenda that was printed, you were mistakenly referred to as Ruth Monteith. You clearly are not a Ruth. So we apologize to you, sir.

CANADIAN AUTO WORKERS

LOCAL 27

The Chair: Our next presenter is CAW Local 27. Please come forward. You have 20 minutes. I think you know the gist: any time left over we'll allow for questions. Please state your name for the record. Welcome.

Mr Tim Carrie: Tim Carrie, president of Local 27, Canadian Auto Workers. To my immediate right is Tracy Smith, an RPN out of St Joseph's Hospital and a member of the CAW bargaining committee; and to my left is Maria Raposo, who is chairperson of our local women's committee and also a committee at Siemens, an auto parts manufacturing plant in London.

I'll go through our presentation. First of all we would like to thank the committee for allowing us the opportunity to present our views on priorities for the upcoming provincial budget. Our local union represents close to 7,000 members in London and area who work at auto parts plants, hospitals, long-term health care facilities, building, locomotives, defence, auto dealerships, light bulbs and a host of others.

The first issue, and we have four that we're going to deal with today, is health care. The CAW believes that health care is a fundamental right of every human being without distinction of race, gender, age, disability, religion, sexual orientation, political belief, economic or social condition. We, with many other millions of Canadians, are mobilizing to defend this right and we call on the province of Ontario to endorse the Romanow commission's findings on health care.

We need to move away from a fee-for-service model toward a community-based, multi-disciplinary approach

to the management, organization and delivery of services and care. We strongly believe in the universality of medicare and that it remains in the public domain and paid for by the public.

We need an accountable health care system through democratic participation and governance at all levels. We call on the Ontario government to work with the federal government to reaffirm the social values that we all share. We believe that these values must be adhered to by all governments in Canada, even though jurisdiction is largely a provincial or territorial matter. Therefore the principles of the Canada Health Act should be enshrined in the laws of the province of Ontario. We will work together with our health care coalition partners to protect and expand health care, based on the foundation of the Canada Health Act, 1984.

We call on the government of Ontario to recognize that health care workers are critical to the effective operation of the health care system and that decent wages, working conditions and training opportunities are essential to high-quality care and the retention of health care workers. If you look, over the last 12 to 15 years, only in regard to wages for health care workers like Tracy, we have seriously fallen behind in real purchasing power. If you look at the increases that were negotiated over the last 12 years compared to the inflation rate, workers' buying power in health care has fallen by about 50%.

Homelessness: the homeless are men, women, children and families, who are becoming the fastest-growing group of homeless. Mothers living in motels as emergency shelters are going hungry so their children can be fed from what is left of their meagre welfare cheques. Children are being born in emergency shelters. The recent tragedy in Toronto, where a child was born on a stairwell, is a testament to the struggle facing the homeless.

Thousands of people in Ontario are in constant danger of becoming homeless because they pay more than half their income in rent. Any sudden financial shock could leave them on the street. Too many landlords are exploiting the poor as a result of the government's dismantling of rent control.

The lack of affordable shelter increases violence against women. Many women who would otherwise leave abusive situations are forced to stay in the marital home for fear of becoming homeless.

Ontario has experienced two waves of mass evictions of poor people in recent years: one after the welfare cut and the other after rent control was effectively abolished. Combine these catastrophes with the freeze on the minimum wage, falling real wages for the working poor, changes to the unemployment insurance rules which have cut in half the number of workers who can collect benefits when they need them, and the lack of private investment in shelter for low-income families, and the result is a homelessness disaster by public policy.

1440

Government must start from the understanding that decent, affordable housing is a right of all citizens.

People who are struggling to avoid freezing to death on the streets cannot participate in a democratic society.

We recommend that the provincial government increase the amount they spend on affordable housing to 1% of the total budget. We further recommend that effective rent control legislation be restored, that the cruel and inhuman welfare cuts be reversed and that the minimum wage be increased substantially.

In conclusion, governments have a critical role to play in ending this crisis. Because of the CAW's tradition of social unionism, our union will continue to push for an end to the provincial and national disgrace of homelessness.

Child care: we recommend that the government use the following policy elements as a starting point for rebuilding early childhood education and care in Ontario.

A systemic and integrated approach to policy development and implementation: Ontario must move toward a system of seamless, inclusive services offering both care and education. We must move away from a targeted, subsidy-based system to a publicly funded system.

A strong and equal partnership with the education system: Ontario must devise a service system based on the best available knowledge that makes it the foundation of lifelong learning. This system must integrate the current child care under the Ministry of Community and Social Services, with kindergarten under the Ministry of Education, and continue with family support programs. An Ontario government should, with public consultation, choose among several options to implement this system.

A universal approach to access, with particular attention to children in need of special support: all children must have equal opportunities to attend quality child care regardless of family income, parental employment status, special educational needs or ethnic/language background. Ontario must develop a multi-year plan reflecting the goal of universal access. It must move toward expansion of services to ensure that every child has access to ECEC services. Programs must be structured to be sensitive to parental work, education and family needs.

Substantial public investment in services and infrastructure: Ontario must set a goal matching the European Union's spending—1% of GDP—on ECEC services. The first step is for the government to immediately restore regulated child care funding to 1995 levels. At the same time it must take leadership with the federal government at the national federal-provincial-territorial level, calling for a national policy framework for ECEC. The federal government must live up to its responsibilities and provide substantial funding for ECEC. Funding must increase annually, within planned expansion, until universal access is achieved.

A participatory approach to quality improvement and assurance with regulatory standards supported by coordinated investment: Ontario must strengthen its legislative, regulatory and consultative role to ensure that best practices in ECEC programs become the norm. This must include participation of parents and other experts. A

clear plan must be developed and implemented to ensure that Ontario's ECEC system becomes a high-quality environment, enhancing healthy development for all children. This requires that the physical and human environments for children are appropriately funded and sustainable.

Appropriate training and working conditions for staff in all forms of provision, with strong staff training and fair working conditions across the sector: Ontario must immediately restore funding to achieve pay equity for ECEC teachers and undertake a full analysis of work-force issues, including recruitment and retention, career laddering, enhanced training possibilities and gender issues.

Systematic attention to monitoring and data collection: Ontario must create a plan for monitoring, collecting and providing up-to-date, reliable and accurate information about ECEC throughout the province and adopt a sustainable long-term research agenda.

In conclusion, international studies have shown that public, accessible child care is an essential ingredient for the full participation of women in the labour force and for narrowing the wage gap between men and women. By allowing women to get better jobs and keep those jobs, a universal early childhood education program would boost family incomes and government tax revenues.

Early childhood education programs are big job creators in and of themselves. Child care is a relatively labour-intensive service; that is, most of the cost of the program goes toward staff salaries and benefits. This means you get more bang for the buck in terms of job creation than with just about any other industry. For example, each \$1 billion spent on early childhood education can be expected to create at least 40,000 new direct jobs in the industry, not to mention thousands more spinoff jobs in local communities.

New research on childhood development confirms that quality educational programs dramatically enhance the intellectual and social development of pre-school children. Quality group care is particularly effective for children from poor or troubled homes, offsetting their disadvantaged conditions at home and offering them a fairer chance at future economic and social success. The long-run economic benefits of smarter, more successful children will be huge: higher incomes, more tax revenue for governments and reduced spending on health care and remedial social programs.

Last and certainly not least is the auto industry. Our local union represents approximately 2,000 auto parts workers in London and area. These plants provide parts for Ford, GM and DaimlerChrysler. It is common knowledge that parts manufacturers move to where the auto plants are located; the just-in-time system requires it. We are deeply concerned for our jobs and the potential impact on the community.

The automotive sector is Canada's largest manufacturer and exporter and provides roughly one in six Ontario jobs. But Canada is suffering from declining

production, partly because the Big Three automakers and Japanese competitors have taken advantage of huge subsidies offered by southern US states to locate plants there. Alabama provided the Mercedes-Benz division of DaimlerChrysler with a US\$253-million package and gave \$158 million to Honda. Mississippi and South Carolina have acted similarly. Meanwhile, a new assembly plant hasn't been built in Canada since Honda opened one in Alliston, Ontario, in 1996. Of the last 20 or so plants built in North America, it's the only one in Canada.

We are profoundly troubled by the implications of chasing the cash thrown around by Alabama, even though the funds sought by DaimlerChrysler would be returned to the public purse through taxes within a few years.

Ontario, perhaps, is too dependent on the auto industry and needs further diversification. Still, the Windsor plant would be a state-of-the-art facility, engaging in flexible manufacturing that would allow different models to be built there and ensure the plant was less dependent on a fickle marketplace.

Such subsidization should be banned under international trading rules, and Canada is pushing hard in that direction at the World Trade Organization. But a deal won't come for years, if ever, and Canada, as the 1994 federal paper stated, must live in the real world.

We encourage the provincial and federal governments to look seriously at the recent DaimlerChrysler proposal. Our union believes that there should be a carrot-and-stick approach to any taxpayer investments, meaning that long-term job guarantees would be a necessity prior to the meting out of any cash. We certainly do not want to experience another Northern Telecom. Taxpayers' money was used to invest in Northern Telecom, and today only a handful of Northern jobs remain in Canada. Local 27 lost a Northern plant in 1994, which at one time employed over 1,000 workers.

Again on the carrot-and-stick approach, we believe it is an investment. Unfortunately, we are in competition with the type of investments they're doing in the southern States, and we need to keep our auto industry in Ontario and Canada. Thank you.

The Chair: Is there anything else?

Mr Carrie: No.

The Chair: We have 30 seconds per caucus. Mr O'Toole, can you get it out in 30 seconds?

Mr O'Toole: I worked for 30 years in the auto sector and I just comment on your presentation. No one would disagree with the priorities of health, daycare and the rest. I'm going to put one question to you, if you will. You presented the debate, which we heard from Buzz Hargrove, on whether or not our investments should be like South Carolina's and Mississippi's: should Ontario follow suit? My question is this: if we only had \$1 billion, where would you put it, in the subsidy of the auto industry or in daycare?

Mr Carrie: First of all, if we only had \$1 billion—that's kind of a trick question—I guess you would put it

into the auto industry, which could generate enough tax revenue to fund the child care.

The Chair: We'll move to the official opposition.

Mr Peters: Staying with the auto industry and the carrot-and-stick approach that you spoke of, should we be looking at a direct grant to a company or should we be looking at those dollars coming in the form of, say, maybe infrastructure improvements, training dollars, maybe daycare programs to help workers get a job at the plant? Or is it just a straight, "Here's your \$300 million, DaimlerChrysler. Do your thing"?

1450

Mr Carrie: First of all, as we said, it's the carrot-and-stick approach. We're not calling it subsidies; we're calling it investment. But there also has to be along, with it, a guarantee around jobs. If we're going to, for instance, turn over \$300 million of taxpayers' money to DaimlerChrysler, we'd better have some guarantees that we're turning it over based on some long-term guarantees of jobs. It may be in infrastructure, it may be in different ways that we use the money, but we believe the guarantee has to be there along with it.

Mr Christopherson: Thank you for your presentation. As you know, my background is the Auto Workers. I'm proud of it; 525 in Hamilton, president for a number of years. I thought it said a lot about you and your priorities that you went through all the social issues first before you got to the issue that actually affects your members most directly. It says a lot about the commitment of the union to these issues.

Just a quick comment. Mr O'Toole would have you believe—he got you into a nice little trap by making tax cuts look like they're the priority. What he leaves out of the equation is the fact that the money they make from a growing economy never seems to find its way back into the things that really matter, like health and education and cleaning up the environment and decent labour laws. They just loop it back so it's more tax cuts. So it's constant investment, tax cuts, take the benefit, and they never break out of that mould, whereas in the CAW, not only on an institutional basis, Chair, if you'll allow me, so many individual members are active in all these areas that affect people's lives. I want to compliment particularly the local here, because you've got a great reputation.

The Chair: Any final comment?

Mr Carrie: Yes, just on the tax cuts. I read this morning a letter to the editor about what's more important and where we are at. We believe there have been things done about the deficit, which seems to be a priority with this government, but it's created a real social deficit in our province. That is the legacy the tax cuts have created. We might have done one thing one way, but we've got a lot of people on the streets, we've got a lot of people who aren't getting the health care they need, and we still have women who can't get decent child care in this province.

The Chair: Thank you, ladies and gentlemen. We appreciate your input.

OLD EAST VILLAGE
BUSINESS IMPROVEMENT AREA

The Chair: Our final presenter is the Old East Village Business Improvement Area, if you would please come forward.

Interjections.

The Chair: Order. You're taking this lady's time, gentlemen.

Ms Sarah Merritt: Come on, gentlemen. Behave yourselves.

The Chair: Thank you. It takes a woman to tell them to keep quiet. I appreciate that.

Ms Merritt: Good afternoon, ladies and gentlemen. My name is Sarah Merritt and I'm the manager of the Old East Village Business Improvement Area. I'm representing Mr Phil Singeris, who is the chair of our board. He sends his apologies. He is unable to be here due to a family matter, so I'm going to read the speech that Mr Singeris prepared and then hopefully answer your questions. This is the first time I've ever done anything like this, so I'm feeling a wee bit nervous.

The Chair: Plow on.

Ms Merritt: OK. I'm here today to tell you about a revitalization initiative which is underway in old east London. There's an attached brochure that we gave that will explain a little bit about that initiative. I want to tell you about that and I also want to request that the Ontario government extend its commitment to support and develop Ontario city infrastructure to include support for commercial development and social programs. An extension of the Smart Growth plan, for example, would ensure that the special needs of urban core commercial corridors are addressed. The Smart Growth plan should incorporate programs which will increase investment in affordable housing, provide tax zone incentives similar to those proposed in the throne speech for remote regions, and provide increased access to new technologies for small family businesses. Access to funding to assist with the development of small, family-owned retail and commercial businesses that reflect the diversity and needs of multiethnic, inner-city communities is also required. These kinds of programs are critical to the revitalization of urban core, heritage shopping districts such as the Old East Village.

This is where Mr Singeris speaks, and what he says is that his family has owned and operated a business in east London for 67 years. During this time, we have witnessed a deterioration of the commercial corridor between Dundas Street and Adelaide and Egerton Streets from a thriving shopping district to one of empty storefronts, deteriorating buildings and decreased shopping traffic.

To address this, in June 2001, the BIA formed a partnership with the southwestern Ontario Planners Action Team, known as PACT, and the London Inter-Community Health Centre. We formed this partnership to address the deterioration of the district. With the voluntary assistance of PACT, who are members of the

Ontario Professional Planners Institute, and funding assistance from Human Resources Development Canada's Job Creation Partnership program, the BIA has developed its own infrastructure to support and implement the findings of the Old East Village in London, Ontario, Commercial Corridor Transition and Revitalization study. It's a bit of a mouthful. By mid-February 2003, the BIA will have a commercial, economic and social development plan for this area.

Early study findings and census information identify a range of challenges common to Ontario inner-city neighbourhoods. The following description of our area addresses some of these challenges and some of the challenges we're addressing. It's also going to identify some of our capacities, which we are recruiting in an attempt to identify the challenges.

The population of east London right now is about 11,000 people, and that's one third of what it was 35 years ago. Compared to the rest of the city, we have a lower population of children and youth, a higher population of young adults and a lower population of adults between 40 and 60.

Consistent with the age structure of the area, the number of families in the area is disproportionately low, as are household sizes. Related to these figures, we have a high percentage of lone-parent families and a high percentage of families who do more than 60 hours of child care a week. What that statistic is really saying is that we have a lot of single parents, young women, who are not able to go out to work right now. The concentration of lone-parent families that have no members within the labour force differentiates the area from most other areas in the city. Overall participation rates in the labour force are low and the area has one of the highest concentrations of unemployment in the city.

There has been an extremely low level of private sector investment in the study area over the past 10 years. Within this 10-year period, only a few properties have received building permits for work that exceeds \$70,000. For a commercial corridor of this age and significance, this is a clear demonstration of underinvestment by the private sector, and I would say the public sector as well. This lack of investment likely reflects a lack of expected return on investment by property owners in the area; that is, property owners ask why they should improve their building if it will likely remain vacant or attract an extremely low rent generator, given the economic context of the corridor. There is also significant interruption of commercial use of buildings on the study corridor as well.

All of these factors are important when considering the economic viability of the commercial corridor. If it is to be revitalized, it is unlikely that much demand for commercial uses can be generated from the surrounding community unless we take action. As well as catering to the existing community, we need to develop commercial uses so that we can access potential customers from outside the area. Of equal importance is the need to increase the number of people residing in the core area

and address the housing needs of young working families, new immigrants and the most vulnerable members of our community, many of whom have gravitated to our neighbourhood with the closure of local psychiatric hospitals and services.

It's not all doom and gloom in our area, so I'd like to tell you a little bit about the capacities that we're recruiting as well. Despite the challenges, we are a strong community and we're proud to be east Londoners. East London maintains a vibrancy attributable to its people, who come from diverse cultures and have different lifestyles, skills, capacities and potentials and have the willingness to contribute to the area's revitalization. Businesses, area residents, social agencies, faith groups, schools and the arts community have a history of collaboration which is being strengthened through the BIA initiative.

We have a large number of heritage properties on the corridor. Many of these are on the city's heritage inventory. We have a significant number of ethnic restaurants on the corridor and a variety of unique specialty stores. The corridor also houses a variety of second-hand furniture and antique stores which could be developed into an antique shopping district.

We have also developed a broad base of inter-sectoral support for the revitalization initiative, including area residents, business, arts groups, faith groups, and health, education and social services. I'd like to also add that one of the commitments the BIA and the community have made is that this revitalization initiative we are leading and looking for support for will not take place at the expense of the most vulnerable people in our community. We want an initiative that makes life better for everybody in the community.

1500

Our aim is to create a vibrant shopping district at the heart of an inclusive community where more people live, shop, work and have fun. Implementation of our plan over time will rebuild our economy, increase access to training and employment opportunities for area residents and increase the local and provincial tax base. By creating a heritage shopping district, we will also reclaim some of London's best architectural heritage. Providing decent, affordable housing and support services to vulnerable people and encouraging more people to live in the core will also assist with promoting the area as a desirable place in which to shop and do business.

We have examined both the provincial and federal governments' priorities for the funding of city infrastructure. We note with concern that the special challenges of inner-city commercial corridors have been overlooked. Increased funding for improved transportation, roads, sewers and clean water is both appreciated and very necessary. However, a multifaceted approach to strengthening city infrastructure is required if core commercial corridors such as the Old East Village are to be revitalized. Such an approach must recognize that inner-city neighbourhoods do not benefit from the economic growth of the wider city unless their unique chal-

lenges are addressed. Really, what we're saying is that the wealth doesn't trickle down into marginalized commercial corridors.

The challenges that need to be addressed are the lack of investment dollars, deterioration of buildings, aging population, lack of access to employment opportunities for area residents and lack of the kinds of networks and structures more affluent neighbourhoods have to represent the interests of their stakeholders. The BIA believes that the work we've undertaken has begun to address these challenges. We've opted to develop a revitalization plan that addresses the social, economic and commercial needs of the people who live and work in our neighbourhood.

Through this initiative, we have engaged in a process to develop long-term strategies that will strengthen our ability to create local solutions to local challenges. We are in the early stages of creating a business development program, and we're exploring the possibility of creating a loan fund. We're also laying the foundations for a community economic development initiative linked to affordable housing. To accomplish this, we have developed a partnership with the city of London housing department to create a convert-to-rent program. With the assistance of the London Intercommunity Health Centre, the neighbourhood is eight years into developing community capacity, leadership skills and support networks for area children and youth. Despite the marginalized image our neighbourhood has, ours is a community of active citizens who want to make a difference.

Many of the challenges we are addressing reflect Ontario's challenges and indeed reflect Canada's challenges. The Ontario government's May speech from the throne identified the need to strengthen city infrastructure and also identified an approach to economic development which addresses the diverse needs of all regions as key elements in building a strong economy.

To enable deteriorating inner-city commercial districts to participate in economic growth, all levels of government must recognize that deteriorating inner-city neighbourhoods have a range of challenges that are often similar to remote regions and rural communities, and they're some of the challenges I mentioned. They need the kind of economic development assistance that is currently being given to remote areas and rural communities.

As a community, we've embarked on a journey that is going to take many years and a significant infusion of resources. If we're to create a sustainable local economy, we need an infrastructure to support its development. We need multi-year funding to support admin services, community economic development, business development, access to new technologies, renovation and new building, employment training, and planning and research that's targeted at inner-city corridors such as ours.

We believe that increased funding for affordable housing; investment and tax incentive zones targeted at deteriorating inner-city commercial corridors, which is different from regions, but going specifically to inner-

city commercial corridors; programs to increase commercial corridor access to new technologies; programs and funding to assist the working poor, including new immigrants, to start their own businesses; and increased funding to support the vulnerable people who live in or are served in inner-city core neighbourhoods would make possible some of we're trying to do. It would also demonstrate the Ontario government's commitment to growth and prosperity through cultural and economic diversity.

I'd like to thank you all for your attention and for this opportunity. I'm so glad it's over.

The Chair: Thank you, Ms Merritt. You did well.

Ms Merritt: Thank you very much.

The Chair: We have about a minute per caucus, and we'll begin with the official opposition.

Mr Peters: Thanks for the presentation, and I think probably every one of us sitting around the table here can think of some communities in our own ridings that are facing the same challenges that east London is.

One of the areas, and we haven't had a lot of debate about it, is these tax incentive zones. I know that you're pushing for it, but do you have some concern—let's say, are you going to create competition in London that if you've got other areas in London for tax incentive zones you're going to be fighting with one another? My concern all along—we've had a level playing field in Ontario of not being able to bonus, and now these tax incentive zones are going to change that playing field. But could it potentially change the playing field in London where you've got maybe the west end of London asking for a tax incentive zone?

Ms Merritt: I can't see your full name there.

Mr Peters: Steve Peters, Elgin-Middlesex-London.

Ms Merritt: Mr Peters, the thing is, as you know from London, we don't have a level playing field. If you take a look at the corridor that runs from Adelaide up to Egerton, there's been an ongoing deterioration of that corridor since the early 1980s. The result of that I think has been that not only has that corridor and that residential area deteriorated, but in some ways actually it's a blight on the face of London. So for as much as we're talking about creating unfair competition, I think really what something like that would be doing—and I'm not saying it's something that you would do forever—is it would start to level the playing field, because what we really need to do is to encourage new investment into that area. As you know, at the moment it's like a chicken and an egg: how do we start this? We need to be able to create some kinds of conditions that are going to make new money want to locate there, and another area similar to that would be Hamilton Road.

The difference, as I understand it from our neighbourhood, is that we don't have the connections to other groups that may have money. We don't have anything. I'm not playing the poor cousin here, because we've pulled ourselves together and we're going to make this happen.

The Chair: Thank you. We're going to move to Mr Christopherson of the NDP.

Mr Christopherson: Thank you very much. You mentioned Hamilton. I didn't catch quite the context, but my—

Mr Peters: Hamilton Road.

Mr Christopherson: Oh, Hamilton Road, OK.

Mr Peters: It goes all the way to Hamilton.

Mr Christopherson: We watch these things, you know. We don't get mentioned often.

I wanted to ask you just very briefly if there were any particular communities across particularly Ontario that you had looked at and said "They made it work. Their situation is similar. Let's follow this more closely."

Ms Merritt: We are talking to other Ontario communities, but when we actually did our research we had to go to Montreal to find a multifaceted approach to this kind of revitalization.

Mr Christopherson: Really?

Ms Merritt: That doesn't mean that there aren't other places there. You folks probably know more about that than I do, so remember, we're just new to this game. But what we were looking for was an approach to revitalization that actually looked at local community economic development. When we did that, we went into Montreal. What we found was, when we looked across the board, and actually into Nova Scotia, that the commercial corridors like ours that have done their best are the ones that have had the kinds of investment that we're talking about.

We're not saying that we are saying investments forever, because the reality is that people can't do that, but I think we need a level playing field. Mr Peters, that's a good expression that you used, although you might have been using it differently. But we're certainly open to hearing from folk around the table. If you know of other groups that are doing some other stuff, I'd love to hear from you.

The Chair: We move to the government.

Mr Beaubien: Thank you very much for your very, very impressive presentation. It goes to show that business does have a social conscience as opposed to razing the whole neighbourhood, that you want to work with what's there.

I would imagine, as Mr Peters pointed out, that we do face some of the same challenges in rural Ontario with deteriorating downtown core small communities. I'm sure that access to capital to improve buildings must be a major challenge that you've faced with the banks. What role do you think the government could play, maybe with the tax incentive zones? Could you expand on this, whether the government could play a role in that?

Ms Merritt: Yes, I think they could even create more money to set up loan funds that people could apply to, repayable at low interest rates over time, to renovate your buildings and your properties, or even grants that could be made available, linked to doing things like façade improvement programs, which is part of what we're going to be looking at. Banks aren't interested; we're not

a good risk at the moment. That's why we're looking at trying to create our own loan fund, which is a huge challenge. People with no money are going to create a loan fund? We don't really know how we're going to do this, but as an east London neighbourhood—and this is no offence to our representatives, so please don't take it that way—we get fed up waiting for our turn to come. We're really glad to see the London downtown revitalized, because it's our downtown too, but we decided that if anything was going to happen, we'd have to do it ourselves, because nobody was stepping forward to do it for us.

So if we could get that kind of funding, where property owners could be applying for loans to renovate—and we're not talking about just giving money away; there would be conditions based on fulfilling the development plan that we've got. That's going to be

coming out at the end of February and that's going to give us some clear guidelines with respect to what we should be doing. We would be linking those kinds of loans and grants, if those were available, to those guidelines.

Mr Beaubien: Good luck.

The Chair: Thank you, Ms Merritt. You did a great job.

Ms Merritt: Thanks very much.

The Chair: That concludes our presentations here today in London. I would remind both members and staff that the bus will be at the front door at 3:30, in 20 minutes. We have rescheduled our takeoff time to 4 pm, for arrival in Sudbury at 5:20.

There being no further business, this meeting stands adjourned until tomorrow morning in Sudbury.

The committee adjourned at 1512.

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finance and economic affairs**

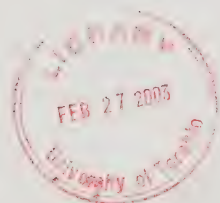
Pre-budget consultations

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Consultations prébudgétaires

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Tuesday 4 February 2003

Mardi 4 février 2003

The committee met at 0901 in the Empress Room, Ambassador Hotel, Sudbury, Ontario.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Joseph Spina): Good morning, everyone. This is the meeting of the standing committee on finance and economic affairs. We're in Sudbury, early in the morning.

ONTARIO PUBLIC SERVICE
EMPLOYEES UNION, LOCAL 666

The Chair: We'll begin with our first delegation, OPSEU Local 666. Please come forward and state your names clearly for the purpose of Hansard. You'll have 20 minutes. Any time left over from your presentation we'll use for questions in rotation from the parties. Welcome, gentlemen.

Mr Dave Wiley: My name is Dave Wiley. I'm a social worker at the Northeast Mental Health Centre, with over 30 years' experience. I'm here before you today as president of the Ontario Public Service Employees Union, Local 666. The Northeast Mental Health Centre is the host agency for the Pinegate addiction programs here in Sudbury.

On my right is Rick Grylls, president of Mine Mill Local 598, CAW. Rick is representing the women's recovery continuum in northern Ontario, Lakeside Centre and Robins Hill after-care services, primarily in the women's area. Unfortunately Mr Dave Mellor, the area coordinator for the United Steelworkers of America, is not with us this morning. That particular union represents the Salvation Army treatment and rehabilitation services for men.

I'd like to start this morning by telling you about a phone call I received last week following a short letter to the editor in Northern Life. A gentleman phoned me and said, "What in the heck is going on with addiction services in Sudbury?" So I explained to him what is going on: the same things as I'm sure many of you will hear today and have heard previously. He told me a story, and I want to leave that story with you.

At about 10 years of age, he started into drugs and alcohol. He spent a good 15 years in and out of the criminal justice system. He went to the Salvation Army here in Sudbury twice, for serious addiction problems.

He beat that habit, went back to school and is now a businessman in this community. He said, "You know, there are 15 others just like me. We had a horrendous early life." He's now 35 years of age and a contributing member to this community. He has been off drugs for six to seven years now. When we go back in time, things were working six, seven years ago. Things aren't working today.

I'm not going to go through everything in the handout. I know you fellows will be able to do a lot of reading and look at all of it. But just to get a sense of, or an orientation to, the Manitoulin-Sudbury addiction services, we have Pinegate Addiction Service, where we have withdrawal management programs for men and women. Those had been separate programs. The women's is the Northern Regional Recovery Continuum, which has a variety of services for women, and then the Salvation Army, which is men's residential and after-care services. In addition, there are other after-care services: Rockhaven, the Sudbury Action Centre for Youth and the Manitoulin Community Withdrawal Management Service on Manitoulin Island.

This service, for many years, has worked in a very supportive and integrated way to make services work in our community. However, with the lack of funding, or the underfunding—no funding increases to base budgets in 10 of the last 11 years—these services have done all the cuts they can do. Within the Pinegate withdrawal management program, they're probably down about eight staff members from what they were 10 years ago. If I add it up in terms of assessment referral services, I would say they probably have five or six people working in that service now. Three of those eight, by the way, are management positions, and those were some of the first to go. But the cost savings in reducing staff have gone to meet balanced budgets over the last number of years.

We're here for a couple of reasons. I'm hoping there's a really general sense of the crisis that addiction services are in, not just in Sudbury but throughout Ontario. Locally, we have the women's services. The last client went into women's residential treatment on December 22, and the next admission wasn't until January 18. On January 6, withdrawal management services for men and women, in order to balance the budget, were co-located using a coeducational model. They cut the beds from

28—that's 28 combined, men and women—in a co-located, coeducational model, down to 13. That started on January 6.

Our local services are scrambling right now to find residential treatment for members of our community and throughout northern Ontario. Sudbury does tend to be a referral source for a very wide geographic area, not only in the medical community but also in addiction services, and one of the real values that people have is the idea of a women-only withdrawal management program here in Sudbury. So we have a system here of three different agencies primarily within the Sudbury community, with other supportive agencies, that have worked co-operatively for a number of years. I think they're now at the point where what happens in one agency—when you cut back withdrawal beds at Pinegate, it's going to affect the treatment services in other agencies, and that's the difficulty we have today.

It's my understanding that at some point in time the committee heard from the Ontario Federation of Community Mental Health and Addiction Programs, probably in some of the Toronto hearings. I went through their report, and I made a few copies. It may be a duplicate of what you've already received, but that's fine. I just want to highlight so that people clearly understand the economics of addiction services throughout this province.

Single and others in 1996 estimated the cost of substance abuse to the Ontario economy at over \$7 billion in 1992—a pretty conservative estimate. Data from the same study allowed for estimation of hospitalizations due to substance abuse in Ontario at 114,000, and annual number of hospital days due to substance abuse at 1.608 million. If you look at issues where depression and drug dependency—drug and alcohol difficulties—come together, there were 678,000 employed Canadians who lost 39,000 person-years of work due to depression, and there's a high concurrent disorder kind of thing with depression. It's not just depression on its own; depression goes along with some alcohol and other drug problems. Mortality rates are very high. I think a government document back in 1992, if I'm not mistaken, said that one in three deaths in Ontario was in some way attributable to alcohol and/or drug/substance misuse.

0910

Wilkerson, in 2002, notes that Canada has the youngest average age of onset for addiction disorders in countries surveyed by the World Health Organization. And it's a growing problem not only in Canada and Ontario; it has been recognized in the United States of America. You may note that in his address last week, President Bush dedicated \$600 million in additional funds for serious drug problems.

There has been no increase in base funding for 10 of the last 11 years, and what I'm hearing from the ministry is, "Don't expect any more money on April 1." I guess that has been predetermined by someone, somewhere; I'm not sure whom. But that is just disastrous for our community and, I think, all communities throughout Ontario.

My rough guesstimate or estimate of inflationary pressures for commodities and services is pushing toward the 30% mark. Administrative efficiencies have been handled in previous years, and unfortunately, at this point in time there are no more efficiencies to be had. What it means now is longer wait lists and cuts to services, and all the important variables in providing a good service—like to that gentleman six or seven years ago—are no longer available. At one time, withdrawal management workers would take somebody in, in our community, and within a day to two days they'd be able to do a referral and assessment. Now it's taking a month. Once that happens, it takes maybe two months, possibly three, and in some communities in Ontario, I understand, up to eight or nine months, to be able to enter residential treatment.

I want to spend just a moment—and some of the things I'm going to refer to are highlighted in Setting the Course, the ministry's document on addiction services in Ontario. There's an acknowledgement that addiction services are more complex today than ever before, as these agencies struggle with addictions and serious mental illness—schizophrenia, depression, bipolar disorder. There's an acknowledgement that addictions contribute to family problems, violence, absenteeism on the job, safety issues, injuries, accidents, legal problems, homelessness, physical and mental health problems and financial problems. Alcohol and drug addictions affect all communities in many and varied ways.

In our Pinegate situation, in order to balance the books they have had to take the extraordinary measure, as I said earlier, of reducing the number of withdrawal management beds, co-locating and providing a coeducational model. I'll say clearly that the coeducational model is one that violates best practice standards by Health Canada. Health Canada defines best practice as "a consensus of key expert opinion on the approaches and elements of treatment which appear to result in the most successful treatment outcomes for women." I left some copies of that document for people to review.

Just to highlight some of those areas, substance abuse research has revealed that the impact of substances on women and their treatment differ from those of men. There are program barriers, including treatment that has been structured to meet the needs of men. The "male as norm" bias is manifested by lack of women-specific program elements.

The document notes the lack of appropriate treatment services for women, including women-centred and gender-specific services. We had that here in Sudbury, and it has been appreciated by communities all over Ontario; not just in northern Ontario but in southern Ontario. Women's addiction services, including withdrawal management, need to provide flexible services, including immediate responsiveness to women when they've identified a need or a willingness to participate.

Accessibility to treatment for women in northern, rural and remote areas is lacking. Women must leave their communities and assume the costs of housing, trans-

portation and child care, and early engagement and treatment is critical.

The document also talks about the fact that coeducational treatment may create unhealthy relationship dynamics and suggests not throwing women into a mixed setting. Have an all-women setting to talk about how they're going to manage in a mixed setting.

Studies also suggest there's a strong relationship between incest experiences and substance misuse. The studies show that two thirds of women with alcohol use problems had experienced some form of childhood sexual abuse, compared to one fifth or one third in two other samples without alcohol use problems. When holding treatment conditions constant, childhood victimization has a specific connection to the development of women's alcohol-related disorders.

Recently, the Ontario Federation of Community Mental Health and Addiction Programs called for \$120 million in provincial funding commitment to community mental health and addictions. I tend to think that's low. I think they were being very conservative in their estimates; I'm not sure how they got their estimates. But I do know there needs to be approaching \$1 million put into the Sudbury services to get them back on track as to where they were 10 years ago, providing a good, well coordinated, integrated service among three different agencies and having good outcomes.

This problem isn't new, and unfortunately, one of the reasons we're here today is we're hearing that it's not going away. On April 1, we're going to be faced with more cuts to service, longer wait lists and layoffs within the workplace, creating chaos within the continuum of addiction services in our community.

I'll refer to a letter—it's part of the package—by our local district health council on May 16 to the regional director of the Ministry of Health and Long-Term Care. In spite of some minimal funding increase in the budget last year, the DHC staff, in reviewing operational plans, felt, "It is imperative to highlight that this additional funding will not be sufficient to address the severe financial pressures that are outlined in the operating plans. The addictions sector has clearly articulated that they can no longer continue to provide the same level of services given the erosion of their budgets over the past decade." They reveal that after they have "implemented several cost reduction measures over the years, agencies are now reducing, or planning to reduce, their front-line staff [and] their ability to provide direct services."

On June 5, my letter to the Honourable Tony Clement highlighted some things in terms of Pinegate, which has provided a wonderful service within this community. It also speaks somewhat to the issue of withdrawal management services and co-location versus the coeducational programming that's being proposed. I have very serious concerns about an administration—and I'll say it: the Northeast Mental Health Centre—along with the regional office of the Ministry of Health and Long-Term Care, that has approved a coeducational model to balance the books. I have very serious concerns about their ability to

provide leadership at this point in time, and violate best practice standards put out by Health Canada.

I have a letter, included in your package, from Shelley Martel, who has also reviewed and talked to all of the service agencies and has a very good feel for exactly what those problems are, and I think she has addressed those in her letter.

0920

The problem is well understood. It's clear that we can't go on any further. We addressed council a few weeks ago. I said to council, "I wish I could come before our local council on this particular problem," because it's not only this community, as I say; it's throughout Ontario.

I wish I could say things like cuts to addiction services and longer wait lists for treatment are not going to affect our policing services. But if people don't get service, they're going to be on the streets, they're going to be in the jails, they're going to be knocking on the emergency department doors. I wish I could say there won't be any effect on our police services, but I can't say that. I wish I could say that there won't be any residual effects within the child protection service agencies, the children's aid societies here locally, due to families where a member is experiencing drug and/or alcohol problems, but I can't say that either. I wish I could say it won't affect our classrooms and our schools within this community, but I can't say that. There's a very high percentage of people who are associated with addiction problems. They touch everybody. I think there was a quote in one of the documents that 50% of people would know of someone, whether it be an employer, a supervisor, a neighbour, a relative, who has to deal with someone with an addictions issue.

Today we're basically saying we need some solutions to this problem, and time is really running out in more ways than one.

The Chair: Thank you, Mr Wiley and Mr Grylls. That concludes your time. We appreciate your input. Thank you for coming and bringing this to our attention.

CENTRE DE SANTÉ COMMUNAUTAIRE DE SUDBURY

The Chair: Our next presenter is le Centre de santé communautaire de Sudbury. Please come forward and state your name for the record. If anyone in the audience would like to have translation services, the young ladies on the side will assist in getting you a speaker-monitor. Please proceed. Bienvenue.

M^{me} France Gélinas : Bonjour. Je m'appelle France Gélinas. Je suis la directrice du Centre de santé communautaire de Sudbury. Good morning, everyone. J'aimerais remercier M. Spina et les membres du comité permanent des finances et des affaires économiques de m'avoir donné la parole ce matin.

Les raisons qui m'ont motivée à venir vous parler ce matin sont nombreuses et diverses. Mais, puisque le

temps est limitée, je serai brève pour donner la place aux questions.

Je dirige le seul et unique centre de santé communautaire à Sudbury. Il y a 56 centres de santé communautaire en Ontario, dont seulement quatre sont situés dans le nord de l'Ontario, soit celui de Sudbury, un à New Liskeard, un à Thunder Bay et un à Ignace.

Comme tous les centres de santé communautaire de la province, nous sommes dirigés par un conseil d'administration. Nous offrons des services de soins primaires grâce à une équipe multidisciplinaire composée de médecins de famille, infirmières, infirmières praticiennes, d'une nutritionniste et d'une travailleuse sociale. Ces professionnels de la santé travaillent en équipe pour offrir les meilleurs soins primaires à notre clientèle. Tous sont à salaire. Nous ne facturons pas la RAMO, mieux connue sous « OHIP ». Nous sommes financés à 100 % par le ministère de la Santé et des Soins de longue durée pour les services de soins primaires.

Par contre, les centres de santé communautaire visent également la promotion de la santé, la prévention de la maladie et le développement communautaire. Nos activités, tels les cours prénataux, les cours Choisir de maigrir, Cesser de fumer, à la petite enfance etc sont basées sur ce qu'on appelle les déterminants de la santé. Les recherches sur les déterminants de la santé ont prouvé sans l'ombre d'un doute que le système de santé ne suffit pas à maintenir ou améliorer le niveau de santé des gens ou des communautés. Pour ce faire, il faut travailler au niveau des choses comme l'isolement, l'éducation, le travail et les habitudes de vie. Ceux-ci, on les appelle les déterminants de la santé. Un centre de santé communautaire est équipé pour faire ce genre de travail. En plus des médecins et infirmières qui travaillent pour nous, nous avons également des promoteurs de la santé, des agents de développement communautaire etc.

Par exemple, le centre que je dirige, le centre de Sudbury, offre des services sur six sites. On retrouve le site principal à Sudbury, un site à Hanmer et un autre site satellite à Chelmsford. Nous offrons une clinique pour les sans-abri en partenariat avec d'autres agences de la santé. La clinique pour les sans-abri à Sudbury a présentement entre 400 et 500 sans-abri, peu importe le mois du recensement. Personne ne voulait prendre le « lead » pour s'occuper de cette population. C'est le centre de santé communautaire qui l'a fait, sinon il y aurait toujours rien pour cette population-là. Nous le faisons avec des levées de fonds, des prélèvements de fonds, et en empruntant des services à d'autres programmes : un jour d'un médecin de Chelmsford, une demi-journée de l'infirmière praticienne de Sudbury etc. Nous parrainons également un centre de soins infirmiers à Sudbury-Est. Sudbury-Est est à environ 100 kilomètres d'ici, pour ceux qui ne le connaissent pas. Et nous avons un site à Noëlville et un autre à St-Charles.

Les gens, les clients, s'inscrivent avec nous pour recevoir les services de soins primaires. Comme tout le monde a un médecin de famille, eux ont leur médecin de famille avec le centre de santé. Nous avons présentement

six médecins qui travaillent avec nous. Plusieurs entre eux sont des femmes qui travaillent à temps partiel pendant qu'elles élèvent leur famille. Nous avons en ce moment 8 000 clients de soins primaires. Nous opérons dans des régions insuffisamment desservies où plusieurs milliers de personnes n'ont pas de médecin de famille. Notre centre de santé, comme tous les autres centres de la province, n'accepte pas de nouveaux clients, et pour nous, depuis trois ans. Nous avons des listes d'attente pour chacun de nos services.

En plus, les travailleurs des centres de santé communautaire n'ont pas reçu d'augmentation de salaire depuis 1992, soit depuis plus de 10 ans. Les salaires sont très bas. Ils ne sont pas compétitifs aux autres services de santé.

Malgré tout, j'ai présentement une demande d'un médecin qui veut venir travailler au centre de santé communautaire. À Sudbury, plus de 25 000 personnes n'ont pas de médecin de famille. Moi, j'ai une demande d'un médecin qui veut que je l'embauche, qui veut venir travailler chez nous, mais je ne peux pas l'embaucher puisque les postes sont comblés et les budgets des centres de santé communautaire sont gelés depuis 10 ans.

0930

J'aimerais que vous compreniez la déception des gens, de ces 25 000 personnes-là sans médecin de famille. Plusieurs d'entre eux sont âgés, sont malades, et viennent de recevoir un diagnostic de maladie sérieuse : un cancer, le rhumatisme etc. Ces personnes-là sont désespérées de se trouver un médecin. Finalement, bonne nouvelle : un médecin veut venir à Sudbury, veut venir s'installer chez nous, ne veut pas pratiquer selon la formule OHIP, veut venir dans un centre de santé communautaire. Et on ne peut pas l'embaucher.

Si le médecin voulait ouvrir sa propre pratique, il n'y aurait aucun problème. Des incitatifs financiers pourraient facturer OHIP jusqu'à 250 000 \$ par année. Il pourrait ouvrir une pratique solo sans problème. Mais ce n'est pas tous les médecins qui veulent pratiquer comme ça. Plusieurs aiment les avantages qu'offre la pratique en centre de santé communautaire. Bien, ce médecin-là est allé s'installer ailleurs—elle s'est installée ailleurs. C'était une femme. Pour les gens qui avaient finalement un espoir de médecin de famille, ceci est intenable et quasi cruel.

Le modèle des centres de santé communautaire est excellent. Les gens l'adorent. Nous sommes dirigés par un conseil d'administration qui nous tient au courant des besoins de notre population afin d'être à l'affût des changements. Les professionnels de la santé travaillent en équipe et chacun se spécialise dans son champs d'expertise. Chez nous, les infirmières praticiennes travaillent dans leur plein champs de pratique. Les médecins font de la médecine; pas de l'administration, pas des horaires de secrétaires. Ce sont les gestionnaires qui font ceci.

Malgré les bas salaires, la grande demande pour nos services et les horaires fous, on a très peu de roulement du personnel. Ce modèle plaît aux professionnels de la santé pour différentes raisons, comme les possibilités de

développement professionnel, les congés, les horaires stables et raisonnables, la possibilité de travailler à temps partiel etc.

Donc, non seulement les centres de santé communautaire n'ont pas eu d'augmentation budgétaire ou salariale depuis 10 ans, mais depuis près de six à sept ans maintenant, il y a très peu de nouveaux centres en Ontario, bien que près de 100 communautés, plusieurs en milieu rural et du nord, ont fait des demandes pour avoir un centre de santé communautaire.

Par exemple, dans notre région nous avons les demandes suivantes :

Le centre de Sudbury demande d'avoir un site complet à Hanmer et à Chelmsford.

Copper Cliff, dans la ville du grand Sudbury, veut un centre de santé.

Elliot Lake a fait demande pour un centre de santé.

Les municipalités de Sudbury-Est—la Rivière-des-Français, Markstay, Warren—ont fait demande pour un centre de santé.

Aucune de ces demandes n'a été financée. Le ministère de la Santé et des Soins de longue durée avait mis un moratoire sur le développement de nouveaux centres jusqu'à ce qu'une revue stratégique du programme soit faite. Les résultats de cette étude ont été rendus publics en juin dernier. L'étude fait l'éloge des modèles des centres de santé et prouve leur efficacité et leur qualité. Entre autres choses, le rapport démontre les avantages d'avoir une rémunération à salaire plutôt qu'à l'acte pour tous les employés, incluant les médecins; que les centres de santé prescrivent moins d'ordonnances; que les clients des centres de santé se présentent moins souvent à l'urgence des hôpitaux; et que les centres relèvent eux-mêmes les défis à la santé de leur collectivité.

Il est maintenant temps d'augmenter les budgets des centres de santé communautaire pour nous permettre de prendre de nouveaux clients et de mettre en place de nouveaux centres.

En dernier lieu, étant donné que je travaille à Sudbury, tous les yeux sont tournés vers l'Hôpital régional de Sudbury. Le projet de consolidation des services hospitaliers sur un seul site est très important. J'étais présidente du Conseil régional de la santé lorsque nous avons fait cette recommandation à la ministre de la Santé du temps. J'y croyais dans le temps et je continue d'y croire. Par contre, les hôpitaux sont pour les gens malades.

Si nous voulons garder les gens en santé, on doit se tourner vers les soins primaires. Les soins primaires ne devraient pas se retrouver dans les hôpitaux mais bien dans la communauté. J'utilise souvent le dicton « Une pomme par jour éloigne le docteur pour toujours ». La promotion de la santé et la prévention de la maladie, c'est un investissement qui en vaut la peine maintenant et à long terme. Les centres de santé communautaire sont les mieux équipés pour avoir un impact direct et à long terme sur la santé des gens et des communautés en s'occupant des soins primaires, de la promotion de la

santé, de la prévention de la maladie, du développement communautaire etc.

J'espère que dans le prochain budget nous verrons une augmentation des budgets des centres existants pour nous permettre de prendre de nouveaux clients et de commencer de nouveaux services, ainsi que la mise sur pied de nouveaux centres de santé communautaire, surtout dans les régions du Nord et les régions rurales.

Je vous remercie. Je suis disponible pour répondre à vos questions en français ou en anglais, si vous en avez. J'ai également des détails des montants précis des initiatives que j'ai proposées. Merci.

The Chair: We have time for about one question from each caucus, beginning with the NDP.

Mr David Christopherson (Hamilton West): You mentioned that doctors could open up a private clinic—I think you used the word “clinic”; I don't know if it got lost in the translation, but I think you said an actual clinic—but you couldn't hire them. I didn't quite understand the distinction. Could you explain that for me, please?

Mr John O'Toole (Durham): They're funded differently.

Ms Gélinas: Exactly. We're funded differently. A community health centre gets a budget to hire people from the Ministry of Health. Right now, for example, I'm funded for 3.5 full-time-equivalent physicians. When that 3.5 full-time-equivalent money is spent, even if there is the need for more and even if there are physicians who are willing to work, I have no money to pay them.

But within the Ministry of Health budget there are many other envelopes. They could bill OHIP, or they could open a family health network. There are other opportunities, and those opportunities are well funded. My point was that some of those physicians are not interested in those models; they're interested in the community health centre model. But this model has not received any new money for the last 10 years and has not had any new community health centre funded in the last six years.

The Chair: We move to the government.

M. Marcel Beaubien (Lambton-Kent-Middlesex): Merci, madame Gélinas, pour votre présentation ce matin. Mais vous avez dit que la province n'a pas fait parvenir des fonds pour de nouveaux centres de santé communautaire. Hier dans ma circonscription, on a fait une annonce de 2,9 \$ millions pour un nouveau centre de santé à Grand Bend. J'en ai trois dans ma circonscription. Je suis d'accord avec vous, et j'appuie des centres de santé, parce que vraiment dans les centres ruraux et dans le nord de l'Ontario, c'est la seule façon dont on peut faire parvenir des soins de santé primaires aux gens.

J'ai une question très brève. Si vous aviez le choix cette année et s'il y avait plus d'argent dans le budget de santé pour les centres de santé, quelle serait votre préférence : d'ouvrir de nouveaux centres de santé, ou bien de donner plus d'argent aux centres de santé qui sont en opération aujourd'hui ?

M^{me} Gélinas: En ce moment si on finance, disons, un investissement de 5 \$ millions dans les centres existants,

le lendemain on est capable d'ouvrir nos pratiques, de prendre de nouveaux clients et de commencer à offrir des soins. Dans ma communauté, il y a tellement de gens sans médecins de famille que je dirais, commençons là parce que l'on est capable d'avoir un impact la semaine suivante. Si je recevais le salaire pour un médecin de plus, demain matin j'ouvrerais les portes puis je prendrais de nouveaux clients. Donc pour moi, dans ma situation, ce serait ma préférence. Ce serait bien d'avoir un plan où l'on peut également mettre sur pied de nouveaux centres, mais un nouveau centre prend un peu plus de temps à mettre en place.

0940

The Chair: We move to the official opposition.

Mr Rick Bartolucci (Sudbury): Thanks, France, for your excellent presentation. Certainly I can attest to the fact that your clinic and your centre is a very, very busy centre, having my constituency office as a part of that building.

Primary care reform should be patient-focused, accessible, coordinated, continuous, comprehensive, appropriate, accountable and sustainable. You do that on a continuing basis. If we're going to enhance primary care reform and if we're going to try to enhance the finances appropriate to centres—and you're one of 57 centres around this province—would you like to see more money allocated to the wellness component of your centre? You talked about the determining factors of health. Wouldn't money allocated to wellness decrease the overall costs?

Ms Gélinas: For sure. This is the way a community health centre works: not only is investment in primary care important—and the government is presently looking at primary care reform—it has to be in conjunction with health promotion, disease prevention and community development based on the determinants of health. A physician and a nurse are very important when you are sick, but those are not the people who keep people healthy. What will keep people healthy is an investment in the determinants of health, and this is what you were talking about. If we don't invest in the determinants of health, we will continue to have more sick people.

Having access to a family physician is not a privilege; it's a right that everybody should have. Well, 25,000 people in Sudbury do not have that privilege, because they cannot access a family doctor. But once this is in place, in order to keep people healthy, the investment has to be in the determinants of health, and a community health centre is well equipped to work in the determinants of health.

The Chair: Thank you, Madame. That concludes your time. We appreciate your input today.

FIRST NATIONS INDEPENDENT FUEL HANDLERS CO-OPERATIVE INC

The Chair: Our next presenter is the First Nations Independent Fuel Handlers Co-operative. Please state your names clearly for purposes of the record. You have

up to 20 minutes, and if there is any time left over, we will ask questions. Welcome, gentlemen.

Mr Willard Pine: My name is Willy Pine, from the fuel handlers association, Mississagi First Nation.

Chief Glen Hare: My name is Chief Glen Hare, from M'Chigeeng First Nation on Manitoulin, and also the Robinson Huron Regional Grand Chief with the Union of Ontario Indians.

Mr Randy Naponse: Randy Naponse, vice-chair to the fuel handlers.

Mr Pine: Thank you very much, honourable members, for the opportunity to make a presentation before your committee.

Our organization appeared before your committee last year to address the issue of native gas rebates. We have been working with the province on this issue since 1996. We are here because we want to put forward our recommendation to reduce the red tape burden on native gas retailers, a burden that is driving our retailers out of business.

Before I describe our proposal to you, I would like to describe our organization's plans. As native business owners, we came together in 1996 to create the First Nations Independent Fuel Handlers Co-operative Inc, so that we could act as a group on tax issues facing native fuel handlers. Initially we formed to address the cash-flow problems that resulted from submitting remittance of native gas rebates to the provincial government. Once together, we recognized our common goal to have some ways to better our business and our communities. Our goal is to promote business in self-sufficient communities.

First Nations has been implementing a business plan to incorporate as members with the objective of becoming a buying group to provide bulk fuel purchases and distribute the reduced costs to our members.

Chief Hare: As First Nations Independent Fuel Handlers achieves its business objectives by benefiting our members, we also seek to improve the conditions of the communities in which members' businesses are located. Our communities are striving toward self-sufficiency and self-determination across Canada. First Nations fuel handlers will collect a cent on every litre of fuel sold by its members to support First Nations fuel handlers' start-up capital costs. Also, it is a long-term goal that half of this money will be deposited into a community fund once start-up costs are covered. With this fund, First Nations fuel handlers will be able to assist communities with funding local projects like schools, hospitals, arenas and community centres. Our vision is clear: prosperous businesses in strong communities.

The issue I want to discuss today relates to the rebate system for independent native gas retailers. For native gas retailers, the prompt collection of rebates is essential. To explain why this is so, let me outline how our current tax and rebate system works. Ontario legislation applies gas tax at a rate of 14.7 cents a litre. Qualified First Nations people are exempt from paying this tax if they buy gasoline for personal use from an authorized service

station on a reserve. Each eligible First Nations individual has a certificate of exemption from the Ministry of Finance. This is called a white card. If you have a white card, you don't pay tax on the gas purchased from an authorized service station. However, the gas retailer must pay tax on the gas that he buys to cover the tax expense. The retailer has to claim a rebate from the Ministry of Finance. The rebate is based on the gas sales made to exempt purchasers. Since the retailer is out of pocket until the rebate is received, an efficient rebate system is essential to keep these small businesses operating with positive cash flows. The current system is a manual system of vouchers; rebates can take up to two months. The system is full of delays, inefficiencies and the potential for errors that cost both the ministry and the retailer.

The First Nations Independent Fuel Handlers Association has developed a proposal for a point-of-sale system in consultation with the staff of the Ministry of Finance. If implemented, the point-of-sale system will give native gas retailers fresh opportunities to operate on a sound financial footing. The proposal is described in detail in our written submission, but I want to briefly explain why this new system is necessary and how it works.

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Why is this necessary? According to the co-operative's calculations, native gas retailers process approximately 400 vouchers per week. These vouchers represent the sale of approximately \$16,000 worth of fuel purchases and \$2,350 worth of tax exemptions. Accordingly, native retailers operate with a weekly deficit of over \$2,300. Further, the current system imposes an onerous paperwork burden on the Ministry of Finance and can lead to costly mistakes. Since each of the 132 First Nations gas retailers processes about 400 vouchers a week, the ministry must process approximately 2.7 million vouchers per year. In addition, fraud is hard to spot, because the system does not provide an automatic check of the validity of the white cards.

According to a report from Aboriginal Business Canada, a division of Industry Canada, many native gas retailers will fail if a point-of-sale system is not introduced to offer more timely rebates. In the past two years, eight Ontario native gas retailers closed their doors.

Our proposal is based on a system that has been operating to the benefit of both Alberta First Nations and Saskatchewan First Nations. It is a point-of-sale system. It helps retailers located on native reservations with the reporting of tobacco and fuel tax refund claims. This system is based on computer collection of exemptions, computer calculation of rebates and electronic transfer of information.

Retailers benefit from (1) timely receipt of rebates on a weekly basis, (2) a reduced costly administration burden and (3) better customer service through reduced delays and lineups at service counters.

The province benefits from (1) identifying stores with problems by reconciling electronically and automatically

the amount of tax-exempt fuel sold versus the amount of tax-exempt fuel purchased by a store and reporting variances; (2) greater control of white cards—the system can immediately confirm valid white cards and reject others, eliminating duplicate white cards; (3) reduce manual administrative and overhead costs; and (4) reduce storage space required for paper vouchers.

The association is proposing that the point-of-sale concept be tested over six months with three gas retailers operating on First Nations. Assuming that the system proves itself during the test, it would be implemented in all Ontario First Nations. The cost of the initial six-month test would be approximately \$120,000.

Conclusion: Without timely rebates, more native gas retailers will close. Our proposal is not costly. It will save the province money and help it to identify fraudulent transactions. Most importantly to us, it will save the First Nations gas retailers from the grim consequences of the existing voucher system.

This initiative has the support of the Union of Ontario Indians and the Chiefs of Ontario. It offers the province an opportunity to work with the native community on programs that jointly benefit both native people and the province.

When I appeared before your committee 12 months ago, I made the same request for the adoption of the point-of-sale system. I received an interested and sympathetic hearing, but there has been no change to the manual rebate system. Native gas retailers are still struggling to stay in business. This year, I hope our association will get more than your interest and sympathy. I hope that we get action that will keep native gas retailers in business.

Thank you, honourable members, for this opportunity to appear before you. I am happy to discuss my viewpoints on this proposal with your this morning.

The Chair: That concludes everyone's comments?

Mr Pine: Yes.

The Chair: Thank you, gentleman. That leaves us with about two minutes. We begin with Mr O'Toole.

Mr O'Toole: Thank you very much for your presentation. I was on the committee last year, and I do recall, as I was the parliamentary assistant to the Minister of Finance at that time, that it was brought forward. In fact, the Chair convened a committee called the small business advisory committee, and that issue went before that committee as well, and in fact had the support of members of the caucus, some of whom are here. I can only commit to you—and I'd be pleased to meet with you after—that we will pursue it. It seems to me that you have agreement all around except to implement it; that's what I would suggest. I appreciate your patience. I commit to you to try to bring it forward again, in time for this budget.

Mr Pine: We've got some of the cards that we're talking about to show you, the gas cards.

The Chair: As an example?

Mr Pine: Yes, as an example. The one you just held in your hand is the white card. That's the one where we

can't identify who owns the card. Then there's one with a picture on it and a bar code on the back, so when we swipe it, all the litres, the name of the person who owns that card—all the information is inside the POS system. At the end of the day, when we tally, it automatically goes to Revenue Canada in Oshawa.

It's been working in Edmonton. These are the vouchers that we have to fill out.

Interjection: Annually?

Mr Pine: Annually, yes. We have to fill them out every night, and every week when they drop the fuel, we have to tally how much fuel has been dropped.

The Chair: We move to the official opposition.

Mr Monte Kwinter (York Centre): Thank you very much for your presentation. I was here the last time you made the presentation, and I am really disappointed that nothing has been done. The major problem you have is that you have a small businessman who is really dealing with the cash flow problem and most of them don't have the financial ability to do that without some great difficulty to their operation. I don't understand why this hasn't been done. It seems to make sense for a variety of reasons.

Can you tell me, have you had communication with the ministry? I know they're looking at it, but they've been looking at it for a number of years.

Mr Pine: We had numerous meetings with the directors of the Ministry of Finance. That's Terry Hing and Pauline Goral. They're working as hard as they can, but they have to wait for the higher-ups in order to get any dollars for our POS system. All the time they say, "Our budget has gone in, but we're not hearing anything." So they've made the budget, apparently, but we didn't hear the results of that budget to go ahead with this POS system.

Mr Kwinter: I noticed that you list all the problems with the existing system. The major one is cash flow, but you also talk about fraud, you talk about mistakes, you talk about clerical errors. Have you done any projections as to how much that is costing right now, as opposed to what it would cost to put in the system?

Mr Pine: The ministry and the fuel handlers sat down at one point to discuss this whole thing. I'm pretty sure it might be inside the pamphlet you've got there.

The Chair: We move to Mr Christopherson, for the NDP.

Mr Christopherson: Thank you, gentlemen, for your presentation. I also was here last year and heard you make exactly the same pitch. It made a lot of sense last year, it makes more sense this year and if they don't do anything, it's going to make even more sense next year.

In the last two days I thought it was interesting—for a government that keeps yapping about wanting to do things about red tape, it really does depend on whose red tape we're talking about. Yesterday we heard from a lawyer dealing with appeals and other representations for people on ODSP, the disability program, and the paperwork there in the last few years has gone up four or five times.

You're here again today pointing something that, as Monte Kwinter has pointed out, makes good sense, no matter how you want to look at it, to take this step. The only thing I have heard that suggests that anybody gave a damn after you made your presentation last year was from Mr O'Toole, who said there was some kind of committee, headed up by Mr Spina, that supported this and that there was support in the caucus. What I don't understand is why the story ended there.

Perhaps Mr O'Toole could provide an answer, Chair, or you could, because all I heard was that you guys did all this great work and you were on the side of the angels. And then the story ended. I missed the part where you then met with the Ministry of Finance and convinced them that this was the right thing to do and pursued it through caucus and cabinet. I missed that part, so maybe you can fill us in.

The Chair: Did you have any other comments before I give a brief summary of what Mr Christopherson is asking for? Go ahead.

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Chief Hare: It's 2003 now, and this country has computerized. What we're facing here is manual business with our finances, with First Nations businesses, when we see these papers here. We were down at the office and they're piled up like this. They go through each and every one of them manually. This is the computer age now; we're there. Why is this business not there?

I guess the biggest problem for First Nations, but also for the province, is the abuse of these cards. I walk into my own fuel station at home and I'll bet you once a day there will be somebody in there who is non-native using these cards. That really upsets me, and it upsets the non-native population. They come to me and say, "How can he or she get away with this?" Even with our regular status cards, every now and again there's a group of people—not our people—who are caught selling our status cards at \$50 apiece, and they're getting away with it.

This is a big step: our picture, who we are, where we're from is all in that card, should it ever become real. That's our biggest one. Also, to speed up the process of the business, but the big one is the abuse. It's getting heavier, and we want to control it.

The Chair: Thanks, Chief. Let me just give a quick explanation of the committee. This was formulated under the Ministry of Finance tax revenue division. This committee was chaired by the parliamentary assistant to the Minister of Finance. When it was started that was Mr O'Toole; it is now Mr Beaubien. I was on that committee representing the Red Tape Commission. A very specific point that we had brought forward was the processing of tax collection and the refining of the process of First Nations exemptions.

In addition to that, exactly what you said, Chief: this is the computer age; there shouldn't be a need to be filing manual paperwork when a lot of businesses around the province are able to file electronically.

The ministry is demonstrating, clearly by the fact that you've had some meetings with them, that they have moved forward in trying to address your issue. I can tell you that we would be happy to continue to push that to get the goal you want to achieve.

That's the explanation. I hope that satisfies everyone here for the short term.

Mr Christopherson: For the last 12 months, that and a buck got you a coffee.

The Chair: Thank you, gentlemen. That concludes your time. We appreciate it.

SUDBURY CHILD CARE COMMUNITY ACTION NETWORK

The Chair: Our next group is the Sudbury Child Care Community Action Network. Please come forward. Welcome.

Ms Lois Mahon: Good morning. My name is Lois Mahon, and I am here on behalf of the Sudbury Child Care Community Action Network. I was anticipating that a parent—she's here. She's coming from a small community outside Sudbury so I'm sure that driving conditions weren't that great.

Ms Jo-Ann Gagnon: Actually, my babysitter cancelled on me.

Ms Mahon: And her child care was interrupted.

Ms Gagnon: Good morning. Thank you for the opportunity to speak to you today on behalf of our community's youngest citizens, our children. My name is Jo-Ann Gagnon. I am a mother and a special-education teacher. I am here representing the Sudbury Child Care Community Action Network.

I would like to bring to your attention today that day care centres in the city of Sudbury are in great need of your support. A survey of local day care centres completed by the child care action network two weeks ago indicates that 60% of our facilities are operating in a deficit position, even though drastic measures such as cutting staff wages and raising fees have been undertaken. Without a substantial increase in funding from the province, it will become impossible for our child care facilities to serve our children.

As parents, grandparents, taxpayers and future pensioners, the issues facing regulated child care centres are relevant to you. As representatives of the government, you are inextricably linked, entrusted by the people to aid in the design of a system that should take care of our most valuable assets. Thank you for taking on this enormous responsibility.

The expansion of the Early Years centres in Sudbury demonstrates our acceptance that the first six years of a child's life are crucial developmental years. The Early Years centres and licensed child care facilities both have enormous potential to aid children in developing skills that will prepare them for the rest of their lives. Unlike the Early Years centres, however, daycare centres offer an essential service: child care.

Are we aiding our child care centres in achieving maximum outcomes for our children? What is happening in Sudbury?

At present, daycare is affordable only to high-income earners or the very low income fee subsidy recipient. Middle-income parents are paying an average of \$30 per day per regulated space. For many of my friends it doesn't pay to go to work. They say they can't afford to go to work. Parents with infant children or children with special needs have it even tougher. After being subjected to long waiting lists, they are often unsuccessful in securing a full-time child care space.

Imagine a community in which all families could have equal access to affordable child care, the provision of quality child care that would support all areas of child development, where qualified staff would be supported and maintained with appropriate wages, staff development and time for planning, preparation and program development. Child experts continually state that high-quality child care gives children the best possible start.

Investments in early learning programs have a big payoff for everyone. The Organisation for Economic Co-operation and Development's recent research supports the findings of the Perry Preschool Project. This project tracked the development of children for 25 years. It showed that every dollar that been invested in education in the early years saved \$7 in the form of lower dropout rates, lower social assistance rates and lower crime rates. Furthermore, families who use daycare centres also benefit.

As a consumer of regulated child care myself, I can attest to feeling little stress when I leave my son at daycare. I know that he is being well cared for by qualified early childhood educators, who provide him with a stimulating and nurturing environment. I sleep well at night with the assurance that my son's daycare will be open tomorrow.

Ms Mahon: I'm speaking on behalf of the Sudbury Child Care Community Action Network. The network is a local action group made up of interested parties advocating for quality child care as envisioned by the Ontario Coalition for Better Child Care.

We are here today to let you know that daycare in the city of Sudbury and in this province is in crisis. Funds from the federal early childhood initiative were invested by the provincial government in programs such as Ontario Early Years centres, autism, and Healthy Babies, Healthy Children. These are wonderful programs for some children and some families. However, these programs are not child care. Many of these programs can and should work together with daycares to provide comprehensive services that children and families need.

Provision of quality daycare is an investment in the future of communities and must be an integral part of the children's services and education available to all children in Ontario.

National and international bodies and researchers recognize that early childhood education and care are key components of community economic development, a

population health approach, preventing crime at the community level, and social equity and inclusion. However, because of the crisis we face in this community, daycare will not exist in the near future. This will have a serious impact on the future of our community and this province. In a recent presentation to our city council, we identified that most of our daycare centres have faced serious financial pressures. Increased occupancy costs, municipal taxes, garbage pickup and playground inspections, combined with a requirement to honour pay equity with no funding and capped wage enhancement grants, have left our child care system on the brink of disaster.

Playground inspections, as directed by the Ministry of Community, Family and Children's Services, cost daycare centres \$200 or more annually. No one will argue with the necessity to have such inspections, but obviously the cost of these inspections cuts into current budgets.

Centres that have expanded to meet the needs of the community no longer receive the wage enhancement grant that was made available to ensure more fair, equitable wages for staff. Centres who wish to pay all staff an equitable wage must foot the bill from already stretched income.

Pay equity is a significant problem for our Sudbury centres. Since child care programs are bound by law to continue pay equity increases, they will accumulate unsustainable debts or operate in contravention of the legislation. Under the law, community-based boards of directors who are parents assume the liability. Some centres in Sudbury estimate that they will be bankrupt by 2003 if they continue to make adjustments without government funding.

Research indicates there is no greater indicator of the quality of care that a child receives than the quality of the caregiver. In order to perform their responsibilities as quality child care educators, staff need time, resources, facilities and equipment. In other professions, these criteria would not be questioned, but in early childhood education and care, staff are doing without or with the bare minimum. Our society is now aware of the importance of the early years to the development of children. If the early years are so important to a child's development, how is it that we think staff should attend meetings without pay, work without resources and plan activities on their own time? How can we accept that such an important profession work for pay that is less than in call centres in our community? Sudbury's early childhood educators are leaving the profession to work in any field that gives them the opportunity for better wages, where they can receive benefits and where they feel they do not need to volunteer their time in order to carry out their professional responsibilities.

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Provincial downloading means that municipalities have now increased funding obligations without money to provide adequate child care services in their communities. Child care programs and services previously funded by the province are now cost-shared, with the province putting in 80% and the municipality 20%.

Administration costs are evenly split. The result is that each municipality is making different choices and decisions about local child care services to try to cope with an impossible situation.

The city of greater Sudbury is coping with additional costs by cutting back services, which include garbage pickup to non-profit agencies and businesses. Although this may seem minor, some centres are paying up to \$50 a week for garbage pickup.

Before the amalgamation of Sudbury with the smaller surrounding municipalities, daycare centres in smaller towns were exempt from municipal property taxes. Now, in the city of greater Sudbury, they are charged but don't have the funds to pay. We have recently asked our city to remove these costs in their 2003 budget.

In the current situation, the downloading has caused a spiral effect, creating hardships for our community. We have suggested to our city that they need to advocate to the province to honour its commitment to pay equity, to eliminate local costs for daycare centres that are within their discretion and, above all, not to ask us to increase fees. Full-fee parents cannot absorb any more fee increases. Currently, the amount of daycare fees parents pay is equivalent to or even more than rent or mortgage payments.

Child care is now only accessible to high-income earners or very low income fee subsidy recipients. The middle-income family has no choice in who will care for their children. They are forced to leave their children in unlicensed home settings with unqualified caregivers. Many times, only basic care is available without the quality early childhood experiences that Dr Fraser Mustard indicates are crucial to development.

In this community, infant care spaces are at a premium. Centres are unable to provide this needed service because of the lack of funding to operate. Again, families who need to work have no choice in who will care for their children.

This government's support to children with special needs, such as autism, infant development and Healthy Babies, Healthy Children, is admirable. However, like the rest of us, the families of these children need to work. Child care needs to be supported and enhanced staffing made available to ensure the benefit of these special programs can be continued in daycare, making daycare accessible for all children. It isn't feasible to suggest that existing staff-child ratios would be able to meet this need.

Our vision is a community in which all families and their children would have access to quality, affordable child care. We ask you to share this vision, and in doing so we would ask you to:

Develop a plan to give every child universal access to high-quality early childhood education and care and to stabilize the services here in the city of Sudbury and throughout the province—stabilization must include moving away from a targeted, subsidy-based system to a publicly funded system that would adequately support the needs of our community;

Immediately restore pay equity for childhood educators and analyze early childhood education and child care workforce issues, including attracting and keeping staff, career advancement and enhanced training;

Work with the federal government to secure adequate funding to carry out what is needed to provide quality care and education; and

Stop the negative effects of downloading to municipalities.

The Chair: That leaves us with two minutes for questions and answers, complete, I remind committee. We begin with the official opposition.

Mr Bartolucci: I'll try to keep it within two minutes. Jo-Ann and Lois, thanks very much for your presentation. It was certainly an enlightening presentation—"stop the negative effects of downloading to municipalities." Certainly over the course of the last little while—and I'll talk fast because I have two minutes—we've seen a city council having to cope with closing recreational facilities which would enhance daycare activities. The reality is, the answer is simple: you're telling this committee at pre-budget, "We need more money and the province has to live up to its commitments to municipalities." There is a \$10-million shortfall that the government did not give to the city of Sudbury when the amalgamation took place. What would that do with your programs if some of that was allocated to daycare activities?

Ms Mahon: I think the opportunity to ensure that there's a comprehensive opportunity for families and that kind of support. The other thing is that, as our municipality is trying to make decisions about what they will support and what they won't support, it certainly would assist them in doing that.

The Chair: Thank you. We move to the NDP.

Mr Christopherson: Thank you for your presentation. I still find it remarkable that a government that puts itself out as the only party that really cares about kids and families does so little for children and in fact does so many things that hurt them.

First of all, take a look at the education system all the way through and the damage that's been done there. The clawback of the federal child benefit is a disgrace. That's money that's provided for kids in poverty, and this government cuts that dollar for dollar from the money they receive from the province.

The question I want to get to, the third matter, is that there was a federal initiative—for the life of me, I can't think of the name of it—for child care that offered the province the opportunity to tap into millions of dollars, and they haven't spent it yet. Are you familiar with that?

Ms Mahon: I am somewhat familiar. My understanding is that some of those dollars were put forward in some of the other early childhood initiatives but that daycare was not included in any of that.

Mr Christopherson: Let's just say for the sake of argument that this government gets re-elected with a majority and follows the same sort of path. Where are you and where are the kids in Sudbury in 2008?

Ms Mahon: My concern and the concern of our local network and our child care providers is that without the infusion of some funding there will be no regulated quality child care system.

The Chair: We move to the government.

Mr Ted Arnott (Waterloo-Wellington): I want to thank you very much for your presentation. Being a parent of three young boys, and with my wife working as well, we've got a pretty busy household and we have a private child care arrangement. But I understand how important a decision it is for parents to make sure that the child care their children are going to receive is of the highest quality. It's obviously an important decision that parents make.

But I also know that a few years ago, Ernie Eves, while he was Minister of Finance, initiated a tax credit for working families to assist with child care costs. You've essentially said that you don't like that concept at all, yet the provincial government, to the best of my knowledge, is allocating millions of dollars to this tax credit. It has a couple of benefits. First of all, I think it targets the available resources to families who need it most; second, it allows the parents choice so that they can find the child care arrangement that's most to their liking.

The Chair: Question, please.

Mr Arnott: Why do you completely reject that model of assistance for families?

Ms Mahon: To us, the model doesn't seem to work. It does not provide the choice, the anticipated result; it doesn't, for us, provide that opportunity. For many, many families, particularly middle-income, the fees for regulated quality child care do not cover the cost to operate that program, so the choice that is available remains for those who are at either the lowest end of the income spectrum or the highest. So the intent, however admirable, of that project, in our opinion, does not work. We think that quality daycare, regulated daycare, needs to be included in that choice, and for that to work, another system has to be in place, and that's funding directly to those programs.

The Chair: Thank you very much. We appreciate your input. That concludes the time.

1020

WATERCREST

The Chair: Our next presenter is WaterCrest. Do you have a PowerPoint?

Ms Ann Watson: I was told that I could bring overhead slides, and unfortunately the message didn't come through, so I can speak to the slides here. The handout that I've given you is actually the eight slides that I intended to speak to, followed by a submission that I made to the pre-budget consultation last Monday in Toronto.

The Chair: Thank you. Please state your name for the record, and welcome.

Ms Watson: Certainly. My name is Ann Watson. My business's name is WaterCrest. I'm here to ask the

government to consider the creation of women-oriented investment funds.

What I intend to cover today is who I am and why I got to this point, what the issues are with respect to women in venture capital, what the benefits to the government would be of taking some initiatives in this area, why extra help is specifically required in Ontario, and specific comments as to the form of assistance I'm requesting that the government consider.

First of all, I'm Ann Watson. I was born and bred in Ontario. I have a bachelor of commerce from the University of Toronto and an MBA from Ivey. I've spent 12 years in the investment banking industry advising companies on mergers and acquisitions and corporate finance, most of that time in Canada, some of that time in New York and London, England. For the last four years I've been advising private companies on raising financing for venture capital, and I was a fund manager of an enterprise called Bright Spark in Toronto, which was an incubator for information technology companies. So those are the qualifications that I come with to present this idea.

For the last six months I've been assessing the opportunity in Ontario to establish a venture capital fund that would direct money to women-led businesses. In the United States there are over \$100 million of funds for women-only investments, and for women in minorities there is over \$1 billion. I think there's a significant opportunity here in Ontario to create this fund. I'd like to talk to you about why that opportunity exists, what the benefits to the government would be if someone were to pursue that opportunity, and some help that I need in order to get to that point in time. Essentially I'm an entrepreneur asking for a little bit of assistance in getting going and tapping a market that has huge benefits to the government.

The headline statistics with respect to women in venture capital in Canada and Ontario are that over 50% of new businesses are started by women, and yet less than 5% of venture capital gets directed to them. In other words, in addition to their own business risk, a man has about a 19 out of 20 chance of getting venture capital, whereas a woman has about a 1 in 20 chance of getting venture capital. I would suggest to you that this sort of system is a free-market system but it will self-perpetuate if there's not a catalyst brought to the system.

Probably the most work follows behind the next sentence, which is, "The fundamentals are the same." I've undertaken extensive studies of mostly US work that looks into the characteristics of women in business versus men in business and why this gap exists, including one study that studied the myths associated with women in venture capital and another landmark study that looked at businesses started in the last 10 years. In other words, if you boil it all down, throw away all your old notions of your mother or your grandmother starting a dress shop on Main Street, women businesses are now fundamentally the same as men businesses. If you look at these aggregative studies, there is no difference in the type of

business they're starting, the size they're now growing their businesses to, the experience they had when they had started these businesses up, the growth records they achieve—in fact, in one of the studies, more women had high-growth businesses than men did—and their education, with the exception of a bit of a gap in engineering.

The issues in this marketplace are access to capital and the networks. For those of you who are familiar with venture capital, be it labour-sponsored or other forms, most of the deals that these venture capitalists end up completing come from a network of advisers, which is what I used to do, advise these companies. You sort of brush up a company and present it to the venture capitalists. Again, it's just an evolution; it's how things have evolved over time. It's a very male-dominated marketplace.

Why should the government care about this? That is the next slide, "Benefits to the Government." Like any venture capital fund, they will create jobs and they will help companies grow. But I would suggest to you that a fund that's directed at women businesses will create different jobs and help different companies grow, and that will create a broader base of entrepreneurship in the economy. It will get more venture capital both raised and allocated in the province. Women businesses hire about 52% women and 48% men; men businesses tend to hire 62% men and 38% women. But still, women businesses tend to have more equitable hiring practices, certainly something that the Ontario Women's Directorate cares about.

We also need more women role models. In the benefits section of the paper that I submitted to the Ministry of Finance, you'll see that all these benefits tie to some of the initiatives of the government and private enterprise making suggestions to the government. But I specifically look at the task force on entrepreneurship and prosperity, and many of these benefits link directly to that task force.

Why am I here asking for extra help? Well, we know from the US that a catalyst is required. In my research, I believe the best way to start one of these funds is to have it be a labour-sponsored fund. The main reason for that is that we know women entrepreneurs are investors. Therefore, you would get free marketing of your fund through your retail broker. Any retail broker has a financial incentive to let a women entrepreneur know about this fund if they try to sell them this tax-incentivized product. So this will help the whole perception of the risk to women accessing venture capital.

But in Ontario there is a problem with the system for this type of fund. These labour-sponsored funds are marketed through wholesalers, who then market through to a retail broker. In Ontario, about 95% of the wholesalers are men and 75% of the retail brokers are men. Male investors actually make better clients for retail brokers, because they trade more and generate more retail commissions. It's the way the system has evolved. I'm not suggesting that the government should do anything about this; I'm just saying there's a problem in getting a women-oriented fund through the system because it's a

new product that's untested, and male investor behaviour, which I have also studied extensively, will not necessarily be attracted to this. In other words, the problem, which is the entrepreneurial risk, is the women's business market. The access to raise the money is where the issue is.

I have come to the government suggesting that you take out of your drawer a piece of legislation that you put in place in the last few years, which directed more money toward research, and use exactly the same legislation to direct more money to women-oriented business. If you recall, research-oriented investment funds allow a fund to offer an investor an extra 5% tax credit, provided that the fund makes investments in research-oriented businesses. "Research-oriented business" is defined as the percentage of spending on research and development. My proposal is that we establish women-oriented investment funds and that any fund that invests the majority of its assets in businesses that are defined as women-oriented would also qualify for a 5% tax credit. This would allow for a successful approach, I understand, in the retail market.

I've actually been out to talk to most of these wholesalers. Some of them would be interested if we got this 5% tax credit; some of them still wouldn't be interested. They think it's a significant marketing hurdle. In other words, the fund would have a fighting chance in the marketplace. So it's not direct government intervention; it's using an established precedent to address another important marketplace.

I've had some discussions with internal staff at the Ministry of Finance, in the tax department, and they acknowledge that this would be a simple amendment to existing legislation. I've offered to share some of my data on women-oriented businesses, but because this is a public forum—I'm actually asking you to set something up so that somebody else can compete against me—I have not shared all of my background data.

I'd like to leave you with one thought. There is a global organization called the Global Entrepreneurship Monitor. They look at all aspects of entrepreneurship—age, gender, household income, culture, education—and their number one recommendation as to how to increase entrepreneurship in an economy is that a country should do anything it can to help get more of its women participating in their own businesses. There is no other single initiative a government can undertake to increase entrepreneurship.

I ask you to consider taking existing legislation out of the drawer, amending it—the only requirement is to decide what a women-oriented business is—and allow entrepreneurs such as myself, and I'm sure I'll have some competitors, to go to the marketplace and try to raise money, and then to put some money into women-led businesses.

I'd be happy to answer any questions.

The Vice-Chair (Mr Ted Arnott): Thank you very much, Ms Watson, for a fascinating presentation. I'll first turn to the New Democrats.

1030

Mr Christopherson: Thank you for your presentation—very interesting. You mentioned that the United States has done something. I wonder if I could ask a two-part question. Could you expand on that a little in terms of what approach they used? Does it vary state to state or is it a federal initiative? Secondly, are you aware of anything similar in other jurisdictions across Canada?

Ms Watson: In the United States it's a federal initiative undertaken by the Small Business Administration. They have what they call small business investment companies. Basically the concept is that you go out and raise some money and the government will match the money. You increase the amount of capital you have to invest. So if you want a \$40-million fund, maybe you only have to raise \$20 million.

They had a program up until 1996 called a special small business investment, and that is when they went out and encouraged a lot of these women and minority funds to be raised. It got a little bit out of control, so they pared it back in 1996, although they still have a few special criteria you can do to augment your capital.

I think there's a very important lesson to be learned as to how they got a little bit out of control in the United States. It has to do with the definition. They said that a person of minority, a woman, had to fill a specific role in the organization. They had to be either chairman or president. You'll note that in the detail of my briefing paper I suggest a lower barrier, that we consider women founders who maybe own 10% of the equity, to qualify for a concept like this, at least in the beginning years. So we can learn some things about definitions from them.

The great thing about their program is that because of their matching, they could play with things a little bit more than in the system we use through labour-sponsored funds. Really, the only thing I have known that's been done across all of Canada has been research-oriented. Your government decided research was a priority and found a way to do it through the existing mechanism.

In terms of other women's funds, there are none in existence yet in Canada, to the best of my knowledge. There is a group out of Montreal trying to raise private institutional money. That has a few problems. First of all, they don't get the free advertising that you do in the labour-sponsored. When I mention that the women are the entrepreneurs, you get to get out and shake them and tell them that fund is there and decrease the risk perception. They've been trying to raise money for over a year. I wish them the best of luck, but I know the institutional market very well from other business experience and there have been no new funds financed in all of Canada for nearly two years. It's a private marketplace, and it's hard to influence.

The only other thing worth mentioning is that the Prime Minister has set up a task force on women entrepreneurship. Certainly I will be going to them and, if I'm successful in this venue, asking if they might even match the tax credit federally. If you saw fit to do it here, they might do that.

The other thing that people will be asking for there, I think—there are pockets of money that will invest on the federal level, EDC and BDC, for example. They would make great side investors for me, and certainly I would ask for that. But the federal government sees it as stacking, that you get a tax credit and you want money over here, so they're not very—and I think one of the most interesting things I found out when I was doing this was that if I had been doing it in any other province but Ontario, I probably could have got an Industry Canada grant. I've had to do all my research and come up here and talk to you, everything, on my own penny. But I'm an entrepreneur and that's OK.

The Vice-Chair: We want to keep the questions going, so I'll turn now to the government side. Mr O'Toole has a question.

Mr O'Toole: Thank you very much for a very interesting presentation. I think you should send your story to Dianne Buckner from Venture and maybe she would give you some help. There are quite a few leading women's voices actually in the business community.

Ms Watson: Yes, there are.

Mr O'Toole: A lot of commentators in both media are certainly female today, which is good. So I'm sure you'd have a very receptive audience.

It's a neat marketing proposal that you're suggesting. It's more like the ethical funds that are catering to a certain kind of discriminating investor. I'm disappointed to think that LSIFs haven't been an opportunity for you. I'm not sure that you've pressed that long enough and hard enough, because that probably is the most logical venue to mount a fund.

Ms Watson: Could I leverage it?

Mr O'Toole: I understand what you're saying. In fact, there were problems with the original labour-sponsored funds. As you know, they weren't actually investing them; they were holding them in paper. They had to strengthen—in fact, some of the tax credits have been reduced, both federally and provincially, and we did reinforce them.

That would be my sense. Otherwise, it would be a rules game, as you've just described it. Either the investor or the recipient of the venture funds would be monitored or reporting based on the formation of the boards of directors—

Ms Watson: My proposal is the fund would have to, just like a research-oriented fund.

Mr O'Toole: What's your research with respect to the penetration of the female investor? That would be an interesting one to know. If I was a seller, a broker, trying to sell stuff, and I knew that I could attach more clients to my file by saying, "Target this particular group"—I would think there's a lot more money. I think the group would be much more attracted to these kinds of funds that you're describing.

Ms Watson: Thank you for your question, because I would like to tell you that I have talked to each of the major fund distributors in Canada. I had one of them so excited, thinking, "This is great. We've finally got a

woman's product." There's a market there. I'm told there's even one bank that has more assets under administration by women than it does by men. However, that same person who was so excited went out and did their own little informal test marketing, and they came back and said, "Ann, we can't do it. We can't push this product through the system the way it is. It won't work." I kept banging ahead. So, first of all, I have talked to nearly everybody.

Mr O'Toole: On the investor side?

Ms Watson: I have, yes.

The Vice-Chair: Mr Sampson has a question.

Mr Rob Sampson (Mississauga Centre): No, it's OK. Continue with this line.

Ms Watson: I have talked to all of the wholesaling people, and they all say there is no way anybody is going to invest in a product that has exactly the same tax credits as anybody else but is addressing an untested market. Forget the women's issue; forget it. Then the fact that—and I hope you will appreciate that I've not mentioned discrimination at all in this presentation—you will have some resistance, because there will be people whom this does not appeal to. However, I think they are the ones who in fact suggested back to me, "If you could get an extra tax credit, you would have a fighting chance in this system."

I would also say, and it's partly in my presentation, that if you don't proceed, I'm probably not going to go ahead because I don't know if I can make it.

The Vice-Chair: I want to give the Liberals an opportunity to ask a question too.

Mr Kwinter: Thank you very much for your presentation. It's really interesting, but I have some real concerns. You say, "The fundamentals (size of business, industry and management experience) are on par with businesses led by men"—so those fundamentals are the same with or without any kind of a fund. "The growth records of businesses led by women exceed those of men; the failure rate of women businesses is lower than for men; and yet, few women have used external capital...."

So it would seem to me the problem isn't that the women aren't able to do it. They probably have to be educated that the capital is available to them, and I don't know that that can be served by a fund or not. I think it's a massive education program.

But let me tell you, there are some incredible success stories. The president of Home Depot is a woman.

Ms Watson: Absolutely. That's not venture capital, but—

Mr Kwinter: No, but I'm just saying that there's a role model there. The president of Hewlett Packard is a woman. In Niagara-on-the-Lake, Mrs Lai owns virtually every hotel of any substance in that situation. The top producer at BMO Nesbitt Burns is a woman. The top producer at CIBC Wood Gundy is a woman.

I think that there's a distortion when you say, "Well, we have to really look after these women and give them some tax credits because otherwise they're at a disad-

vantage." Yet in your presentation, you're saying that in virtually every benchmark, they're doing better.

The idea sounds good. I'm just trying to think of what happens out there in the marketplace when you're trying to sell this to somebody, and they're saying, "You know, you're looking for a solution to an area where there really isn't a problem other than education." I agree; there are lots of women who haven't had the experience and know-how to access venture capital. So I'd like to hear your comments on that.

Ms Watson: Most certainly. I'd be pleased to address it. I separate the problem into two areas. One is, are there women's businesses that need to be funded? The evidence says that they aren't being funded, and they haven't been. I tell you that the labour-sponsored funds have an even more appalling track record than the less than 5%. So the existing system is not working in a way for allocating capital to businesses, a lot because of history, a lot because of the fact that we've been through a high-tech phase. There are a lot of reasons why it's not doing that, and particularly the agent network. That is one problem.

But I am not proposing that the companies that this fund invests in, these women-led businesses, get any additional tax credit. The tax credit goes to try and entice some investors to get the capital so that the fund, once it gets its capital, will actually be on a level playing field with any other fund out there, except that in order to qualify for the extra tax credit, it will have to invest in women-led businesses. The credit goes to the investors; it doesn't go to the company. I believe, like you believe, that there are lots of women businesses out there that are worthy of venture capital. That's the market opportunity, and that to me is sort of the entrepreneur saying, "Help me get to this marketplace." However, because of the system that the government chose, not the small business administration type of route, doubling capital, but the labour-sponsored route, that's the system to raise money.

It's because of problems in that system that I am having great difficulty. Most venture capitalists have told me, "You're just nuts; you'll never sell this, even with the tax credit." I was at the pre-budget consultation, and one of the guys said, "I don't care; you're still not going to make it." But I believe, and some other people believe, that if I had the extra tax credit, I'd have a fighting chance. I think I could make it.

The tax credit is just to entice people to give some money, and then the money—I agree; there are women out there who will make great investment opportunities. I believe this fund can make at least a comparable rate of return to any other labour-sponsored fund.

The Vice-Chair: Thank you very much for your presentation.

CAMBRIAN COLLEGE OF APPLIED ARTS AND TECHNOLOGY

The Vice-Chair: Our next group that is scheduled is the Cambrian College of Applied Arts and Technology, if

they would come forward. Welcome to the standing committee on finance and economic affairs.

Ms Sylvia Barnard: Thank you very much. My name is Sylvia Barnard, and I'm the president at Cambrian College.

Mr Murray Scott: I'm Murray Scott. I'm the chair of the board of governors.

Mr Luc Lafontaine: My name is Luc Lafontaine. I'm the students' administrative council president at Cambrian College.

1040

Ms Barnard: We would like to take a few moments and first of all thank you very much for the opportunity to speak with you today. We do not have any handouts for you. We have done that purposely because we know that our association, ACAATO, has already presented and you've probably heard from a number of other colleges, so we felt that it would be redundant for us to continue to provide you with the same pieces of paper.

What we would like to do today is take the opportunity to very quickly review what it is that colleges are doing in Ontario and the challenges that we're facing and are asked, and then also put a very specific local and human face on those challenges and on the information.

Simply to begin, Cambrian College is a college here in Sudbury that has been in existence for 35 years. We have approximately 4,200 full-time students and we educate over 9,000 people on a part-time basis in the area. We have a campus in Sudbury. We also have a campus in Espanola and a campus on Manitoulin Island. In addition to that, we also serve many people through distance education. That gives you a sense of the size of our operation. We are one of the 24 colleges in Ontario that serve over 200 communities.

Just to give you a little bit about the college system, as you probably have heard from all of your information, colleges have been funded from and continue to be funded from a fixed pot. That fixed pot is at \$762 million. Over the last decade, while that pot has remained unchanged—in fact, at one point it was over \$800 million; it is now down to \$762 million—our population of students that we are educating has increased by 34%. Also there has been an increase in inflation over a 10-year period. I think we all know what that's like within our own dollars, and certainly the colleges have not seen any increase to their dollar amount for the inflation. Essentially we are funding using the same dollars, so our funding has gone down by 42% over a 10-year period. What happens is that because the pot is fixed, as the numbers go up, the amount per student obviously drops so that at this point instead of the over \$7,000 a student that we had 12 years ago, we now have \$4,379 a student to educate the students in the college system.

Just to put that into context for you, our counterparts in the universities have approximately an average of \$6,800 and secondary schools have \$6,700. So we are facing a growing challenge. We also have buildings that are over 30 years old and have required maintenance for them. We also have challenges of being able to hire

qualified staff and maintain our qualified faculty and staff to provide the high-level quality programs.

What does Cambrian do? Cambrian has a very strong focus on our technology and skilled trades area. In fact, we have 105 programs that we offer. Over 20 of them are apprenticeship programs and over 40 of them are in the trades and technology. What we have established is an opportunity where students come to us; they spend two years earning their diplomas. At the end of that time they also have covered all of the apprenticeship curriculum, which means that when they graduate they are ready to be apprentices, they can go out and work on their hours, they are recognized as apprentices and they do not need to return to school for any eight-week period of training as regular apprentices would. So there is a tremendous advantage to the economy to have these students graduating, going into the employment field and not having to be supported by the government or by the employer to go back to school at any time; they are now ready to work.

Let me give you an example of some of our growth areas. Four years ago we were taking in 30 millwright students a year. We are now taking in 120 millwright students a year. We are still trying to do it within the same facilities because we don't have the millions of dollars that are needed to upgrade our facility to the extent that we can. We have our employers snapping up those millwright students upon graduation. We have a 100% employment rate, and we have our employers knocking at our door saying, "Give us more." We are in the same situation with our electrical program and also with a number of our programs in the mechanical engineering side of things, where we cannot maintain the graduation rate to meet the demand.

At the same time, over the last five years, our employers across the area that we serve have contributed an average of \$1.5 million to \$2 million worth of donations and equipment a year in order to try and help us meet their need by providing the equipment that's needed. So the businesses really are contributing in order to prepare the employees for the opportunities that are out there.

At the same time, we are continuing to face a challenge of trying to hire our full-time faculty. That is a challenge because full-time faculty have a much higher cost. Unfortunately, what's happened is that across the province, colleges have taken the opportunity of hiring part-time faculty, which is a lower cost, in order to try and help meet their bottom line.

This year we have received \$315,000 from the government for academic equipment upgrades. It's the first money we've seen in five years, and \$315,000 is a fraction of what we've been needing and what we continue to spend. As I say, \$1.5 million to \$2 million has been what we've been putting in over the last five years on an annual basis through the grace of our partners who are providing the donations.

As far as the economic impact is concerned, our budget at Cambrian is about \$44 million. You can

quadruple that when you talk about economic impact because of the fact that we are a major employer. We also bring students into the area from out of town. We have a 500-bed capacity as of September 2003. So we're bringing students in to live in the community, they're spending in the community, and we're also putting employees back into the community.

1050

Today we are facing a snowstorm. There are a lot of heavy equipment operators out there. The folks who are making sure that equipment continues to operate are college graduates. If you flew here from Toronto you were flown by a plane whose pilot was trained at a college. The people who are maintaining that plane are college graduates. While you were here, if you came by car or if you were transported by car from the airport, college graduates are the ones who do the automotive parts design for the improvement of the automobile. College graduates are the ones who maintain those automobiles on the road. College graduates are the ones who are making sure that our communities are safe so that you can travel on those roads, because they are graduating from our police foundations and our law enforcement. If you have an accident and you need a quick response, it's our paramedics who are taking care of you.

Colleges have an incredible impact on the economic survivability and infrastructure of the province of Ontario. So what I would be suggesting is that an investment in the college system and bringing more dollars into the college system to allow us to expand our facilities and expand our programs is an investment in the economic development of the province.

I know that Murray would like to add a few words from the point of view of the board of governors.

Mr Scott: Sylvia suggested that I show how important it is for our community. Sudbury actually is a sort of a centre of excellence, if you like, in the north. We have a cluster of educational institutions: we have Cambrian, we have Laurentian and we have Collège Boréal. It's important to keep that centre of excellence running as efficiently as it possibly can. The risk is that the continuing deficits will detract from that, our ability to deliver to students is going to be impaired, and the good-news story that Cambrian is might be tarnished, if you like.

We've just had a huge infusion of capital from SuperBuild. Where we have the buildings there, it's important to make sure that we can actually use them effectively.

In Sudbury, as you know, we've had an out-migration of population of roughly 10,000, as I understand it. I think it's important to try to show students that there is potential here, that we can educate them in Sudbury and that there are opportunities in the job market in Sudbury. So from a community perspective, I would urge that we look at the investment that we can possibly make in the students both here and perhaps throughout the entire province.

Ms Barnard: I also know that Luc would offer some words from the student point of view.

Mr Lafontaine: In today's environment it's imperative that equipment and technologies are the most current so that graduates have the most up-to-date experience possible. Technology is changing so fast these days that we fear we won't be able to keep up and that we, the students, are going to fall behind.

We're also finding that more and more students are wanting to access on-line learning and that colleges aren't able to move as quickly in these areas. Cambrian has really gone to great lengths to provide services for us to be successful, like counselling, tutoring, computer access, student employment and so on, but our concern lies with the college's ability to maintain these services and support.

The impact of college graduates provincially and nationally is tremendous. We are the nurses, the paramedics, the firefighters, the hotel and restaurant managers, the mechanics, the accountants, the computer software experts who connect us to the world. So finding the solution to the problem is critical to the well-being of the province.

The Vice-Chair: OK, we have time for brief questions from each of the caucuses. I'll turn first to Mr O'Toole, and then Mr Sampson has a question.

Mr O'Toole: Thank you very much for your passion. It was quite evident in your presentation. Before I give it to Mr Sampson, I want to say that I too am a great supporter of the college system and also its ability to morph itself in terms of what the market needs. Gary Polonsky from Durham College in my riding and the new University of Ontario Institute of Technology is, like yourself, very energized and imaginative, forming partnerships and adapting. Money isn't the solution to everything but I certainly hope that SuperBuild and, going forward, the argument that your peers have presented, is addressed in the budget because of the double cohort and other issues. I'm supportive.

Mr Sampson: I would agree with John. I actually hold two degrees from universities but I would say to you that I think the colleges have probably not got the recognition they should for doing exactly what John has suggested, which is to ready students for a career and doing very important things that keep the wheels turning, the planes flying and the roads cleared etc. I would hope that when we convene to make a recommendation to the finance minister, we'll be able to deal with some of those challenges.

That's not to put down the university sector. I've always wondered whether or not there could be a better connection between the university sector and the college sector. Maybe you could comment on that, whether you think it's there, if it could be improved upon.

Ms Barnard: I'd be very pleased to comment on that. Actually, Cambrian has a number of university partners that it works with in North America. Even here at Laurentian University we have three collaborative programs where students move back and forth between the

two institutions and get a diploma and a degree at the end of it, and we are now branching out and working with a number of universities in western Canada. So there are more and more of those synergies happening.

I would agree with you that this is not to take anything away from universities. What we need, to have a fulsome economic plan and growth for our province, is a combination of the university grad and the college grad. Interestingly, university grads often are the ones with their research who are coming to the college grad technician to take that research and commercialize it. That's where economic growth happens, in commercialization of the innovation.

It has to be a relationship that is positive, one that continues to grow. Certainly in this area I would say that it is exemplary compared to some parts of the province because of the very close link we have between all three of our institutions, because we also work very closely with our francophone counterparts. We've very fortunate to have a university that is bilingual so we can work together in a three-way partnership.

The Vice-Chair: Turning now to the Liberal caucus, Mr Bartolucci.

Mr Bartolucci: Sylvia, Murray and Luc, thank you very much for your presentation and your passion. There's absolutely no question. It's interesting that my colleagues across the way—and I'm trying not to be political today—are enthused about community colleges, and indeed, they should be. They should also be very disappointed that over the course of the last 10 years tuition has jumped by 132%. They should also be very disappointed that the transfer payments have been significantly decreased.

You're familiar with the document *Voices from the Classroom*. You might want to explain to the committee members the significant impact that has taken place because of the lack of transfers and because of the lack of commitment on the part of this government—and that's all we can say: the lack of commitment on the part of this government—to colleges of applied arts and technologies. What has that done with programs? What has that done with student-teacher ratios? What has that done with even the appointments of chairs for different programs, Sylvia?

Ms Barnard: First of all, I'd like to preface my comments by saying that it is not only this government but the previous government that started the decline in the funding.

Also, I would like to acknowledge that Dianne Cunningham has done some work for us to get some funding. What we're saying is that it is not enough and it needs to be infused in the student funding, the per-student allocation. The extra funds are helpful but the per-student allocation is what helps us hire the teachers, turn on the lights and make the whole program work.

The kinds of things that we have had to make as choices at Cambrian is that we refuse to put 150 students in a class. That's not good pedagogy. You can't do it with the kinds of programs that we offer. So to keep our

class sizes in the 30- to 45-student range, which is where we know from research that we have the greatest success, we've chosen to go into a deficit. Our college in Ontario is in deficit and we are having to look at making some very serious choices. We've closed some programs even though there were opportunities for the students—we had student demand and we had employer demand—because they were too expensive for us to operate.

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We've capped programs. Millwright and electrical are examples where we could double the numbers if we could get the equipment and the facilities and have the money, per student, to fund those students appropriately so that we would be able to provide what our employers need in Ontario. We know in Ontario that we're facing a skills shortage. We're sitting with the solution, and what we need are the funds to make that happen.

As I say, as a college we've made a decision. We are in a deficit position. We have pushed ourselves to the absolute limit in that, and our next step is that we're now going to have to incur not only the bleeding but start amputating limbs if we don't get more money in order to provide the kind of programming that's needed.

Mr Bartolucci: That's the message I hope is taken back and given to the Minister of Finance.

The Vice-Chair: Thank you, Mr Bartolucci. Mr Christopherson?

Mr Christopherson: Thank you very much for your presentation. I'm a huge fan of the college system. Mohawk College is in my riding. I'm sure you're familiar with it. I took a week-long course at Cambrian many, many years ago and it was actually around this time of year because I remember how cold it was. So I'm very familiar with your institution and the high quality of education that you provide.

I was interested in your comments earlier on millwrights. You mentioned millwrights and you said 100% placement and in fact you were getting calls from employers.

Just before I ask a direct question, I will preface it by letting you know that the Toronto Board of Trade and a couple of economists from some of the major banks, when they came in to see us in Toronto when we did our hearings there, acknowledged that our competitive edge is not around trying to have Canadian and Ontario workers work for less money than other workers around the world; that we can't win that game. Where we can win it is in the value-added, and the only source of that, let alone the most important, is education, and to underfund and strangle off our education system at all levels is really to blight our own future, because there is no other future for us.

Having said that, I'm just curious: when you said you had other employers calling and you had 100% placement, was that just in your immediate Sudbury catchment area or was it from outside the community as well, and if so, how far afield?

Ms Barnard: It is not only from the catchment area of Sudbury. Our millwright program is one that is very well

recognized across the province because it is one where the students, after the two years, are ready to be apprentices. They sign up, they don't have to go back to school, so there's uninterrupted service to the employer after that point. They are recognized.

The other is that millwright students can come out with a dual qualification. They can be mechanical and electrical at the same time, which again is very desirable. That's where we're getting the calls, from Quebec and from southern Ontario, large employers around the airport—I don't want to name any particular employers. But some very large companies that employ large numbers of electrical and millwright folks in the automotive industry and in the aviation industry have been in touch with us on an ongoing basis looking for our graduates and looking for our training. We are in fact doing some of our training at a distance for those companies to get some of their apprentices cross-qualified.

The Vice-Chair: Thank you very much for your excellent presentation. We appreciate it very much.

Our next scheduled group is Canadore College of Applied Arts and Technology. Are there representatives here from Canadore College? Apparently not. It's probably weather-related.

ONTARIO ASSOCIATION OF ADULT AND CONTINUING EDUCATION SCHOOL BOARD ADMINISTRATORS

The Vice-Chair: Our next scheduled group after them would be the Ontario Association of Adult and Continuing Education School Board Administrators. Would you please come forward and give us your thoughts and advice? Welcome to the standing committee on finance and economic affairs. You have 20 minutes for your presentation. First of all, we'd appreciate you introducing yourselves for the purposes of Hansard.

Mr Murray McDonald: My name is Murray McDonald. I'm the president of CESBA, and I think we'll introduce each other as we come along. I'm just going to take three minutes and do the soft sell, which is who we are, who we serve, why we're here and why it's important that we stay in business.

I'm from Elliot Lake. I'd like to thank you for coming to the north. It's nice not to have to drive seven hours to do a presentation. When our mayor, George Farkouh, whom some of you know, I'm sure, came to Canada 45 years ago, they put him in the slow learner class because he couldn't speak English. He was a bright guy and he managed to put up with that, and today he's the mayor and a successful businessman. Hopefully, we won't go back to that. Today we have ESL classes where those students and, maybe even more important—well, not more important, but his parents would be able to go to ESL classes; I don't know if his mother ever learned to speak English properly.

I'm going to give you a couple of examples like that of people I've met. In 1990 the mines laid off 4,000 people in Elliot Lake. One of them was Bruce. Bruce

came to adult ed, took four courses, got his grade 12 diploma. I often use him to give testimonials, because Bruce will say, "That gave me the confidence to start my own business." He started a pet shop in Elliot Lake with his wife. It's been very successful. Luckily, 6,000 seniors moved to Elliot Lake, and they all have pets.

I guess earlier, when he was in the mines, he'd had a little bit of a drinking problem. So while his wife and he were working at the pet business, he went on and got a diploma and some qualifications to do counselling for people who have drug and alcohol problems. He's now working at the Oaks hotel. It's a 28-day program for drugs and alcohol in Elliot Lake.

He sends us students every now and again. One of the students he sent recently was a lady by the name of Lena. Her parents had moved to Elliot Lake. She had three children. She stayed in Toronto. Her children were really taken away from her. She was in a bad relationship with a man. She was probably working the streets. She came to Elliot Lake. She got herself cleaned up. She's come to school now, getting her diploma. She wants to be a counsellor. She's written to be accepted at college. She should be there this fall, because she'll have the marks and she's a bright lady. She's worked very, very hard.

A younger girl we're proud of is one who went to college this fall. She was only 19. She may have ended up like Lena, but she got back to school and got her grade 12 diploma and now she's at college in Barrie.

How long have I got? I'm only supposed to take three minutes, so I'm not going to take longer.

Alison is working at the White Mountain Academy of Arts in Elliot Lake as a teacher. She's got a degree in fine art, but she's found she's having problems with her shoulder from the pottery she's doing. So she wants to go into art conservation. She came to our school and said, "I need chemistry to get into Sir Sandford Fleming to do art conservation." She just finished her chemistry course, and this fall she'll be going there.

I'm going to stop with my examples and turn it over to Dave. Dave's going to do something a little more in the financial end and why it's important that our programs keep going financially.

Mr Dave Neumann: My name's Dave Neumann. I'm the executive director for CESBA. CESBA represents adult and continuing education departments in about 45 school boards. Within our membership we have the public, Catholic and francophone school boards.

You get a lot of people coming before this committee asking for more money, and I won't disillusion you; we are asking for the same thing. But what I want to point out is that there were cuts made to adult and continuing education, and we feel it was perhaps misguided to cut in this area.

There were decisions made to focus on the core business of school boards, and I think it was felt, wrongly, that adult education was not a priority. But if you think about the undereducated and underskilled in our society, there is a resource that's not being used effectively. Those are the people our school boards

service. So if you think about the positive impact our programs have, our adults are parents, and they become better role models for the learning of their children. So it does help the mainstream school system.

Our programs help to unlock the skills of new immigrants who come to Canada, and they play a more effective role earlier than they otherwise would. We help remove the employment barriers and open opportunities for these adults. We enhance employability skills, and we help individuals achieve self-sufficiency. We truly believe that what we are doing in serving this population is building the skills for Ontario's future and assisting Ontario in remaining and becoming more competitive in the global economy.

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So we feel that the small amount that the government invests in this area pays big dividends for the economy and for society. However, we are hurting badly because of the discrimination: the cuts that were made a number of years ago where there isn't the same funding for an adult going back to school to finish a diploma as there is for the regular high school student, and yet the same needs are there. Diane is going to cover that.

We feel that on a macroeconomic scale, our school boards are cost-effective in delivering the programs that you've heard are delivered to individuals at a community level. If they ever went out of business—and some of them are—it would cost you more as a government to replace those programs and have someone else deliver them. Our programs are accessible at a community level in all regions right across Ontario, wherever school boards are in this business. And it's not a mandated program; it is an optional program, so some school boards have chosen to get out of it or have chosen not to deliver it. But we still have a lot of these programs around, and we're here to tell you that they are at risk and deserve to be supported.

Diane will speak next. She's our past president and is principal of adult and continuing education with the Simcoe Country District School Board.

Ms Diane Cowden: Thank you, Dave, and thank you for this opportunity. In the mid-1990s—in 1995—the government decided that the education dollars should be targeted, and rightly so, to elementary- and secondary-aged children and youth. That did marginalize the adult population aged 21 and over in school board programs. While that population is small, it's significant in terms of the contribution to the economy and the skills shortage in Ontario. If you are over 21, the dollars are 40% of those for a high-school-aged youth in a high school credit program. Many boards at that time mandated that their adult education programs be full cost recovery. With new envelope funding, it has become more and more difficult to pay those actual costs to deliver a high school credit program: the same qualified, certified Ontario teachers; the same accommodation, maintenance and custodial costs; the same textbook resource needs as with the new curriculum; and the same computer technology to maintain industry standards.

It is important for us to recognize the priority for newcomers to Ontario, whether they be from other provinces or other countries, and their special needs and the barriers they face when they come to the province. A secondary school diploma can assist those learners to meet their goals. Many of our graduates go on to college programs, as Sylvia was talking about just before. Many of our graduates go on to apprenticeship and, as we know, they need the high school diploma with a high level of skill in math and English to go into those apprenticeship programs.

Most of our graduates go into gainful employment. If any of you have ever been to a graduation from a school board adult program—and I think many of our MPPs around the table have been—you will remember the stories of those graduates as they walk across the stage and accept their high school diplomas. You can see the results of the high school program and the secondary school diploma in their hands and the fact that they are going to be contributing members to society and to the Ontario economy and good role models for their school-aged children in terms of the literacy, numeracy and assistance they are providing.

We have four recommendations, as you will see on page 4 of our presentation. We are recommending that school board adult and continuing education programs be reflected in policy and funding issues as a priority for this government and for Ontario.

We're recommending that the funding be equitable: a credit is a credit is a credit, a diploma is a diploma is a diploma, and the costs for educating youth in a high school credit program are the same as for educating an adult. That funding inequity should be moved from 40% less to equal funding.

English-as-a-second-language programs are delivered under the umbrella of grants for continuing education and other school board programs. That funding has not been adjusted for many years and there is no grant for accommodation or facilities, and yet in many of our border cities and towns, in our large centres, here in the north and even in rural communities, the need for English-as-a-second-language training and education is paramount. There is no funding or flexibility for school boards to house those programs.

International languages, or heritage language, is the only mandated program in a continuing education school board grant, and that funding has not been adjusted for more than 25 years. It just doesn't compute. The costs have risen and those grants have not increased.

We do see hopeful signs in our school board adult and continuing education programs. The Minister of Education, the Honourable Elizabeth Witmer, did speak to 150 delegates at our December conference. I have, from her speaking notes, the following quotes:

"Although there has long been a place in Ontario for adult and continuing education, I believe it is an area that is overlooked and not always well understood nor provided with enough funding.... Our government shares CESBA's commitment to ensuring students of all ages

can succeed in school—and in life.... You play a significant role in helping the province of Ontario achieve important goals."

We invite you to visit an adult and continuing education school within your school board, if one exists. We invite you to attend the June graduations, where those adults are moving on to their goals. We welcome the opportunity to work with the finance ministry and the education ministry surrounding the specifics of continuing education funding.

Thank you again for this opportunity.

The Vice-Chair: Thank you very much for your outstanding presentation. I should recognize and acknowledge Mr Neumann's presence here. Of course, he served with distinction in the Ontario Legislature and as mayor of Brantford.

I'd like to turn first to the Liberal caucus for questions.

Mr Kwinter: Thank you very much. David, it's nice to see you. David and I served in the Legislature together. You are bringing out a point that really hits home with me. I represent a riding that has one of the most diverse ethnic groups. At last count we had 87 different ethnic groups in my riding. When we talk about adult continuing education, there was a school that, with redistribution in the last round, is no longer in my riding, but most of the people who go there live in my riding. In its previous incarnation it was a major high school in Toronto called Bathurst Heights Collegiate. It became a total adult learning centre—total. You can imagine one of the largest high schools in Toronto totally occupied by people in adult education.

About a year and a half ago, that facility was totally shut down. I was inundated by people saying, "What am I going to do?" David, you said there are other alternatives. Well, for these people, there are very few alternatives, because it's a matter of economics and a whole series of problems. I can't believe the short-sightedness of having this group of people, who could be meaningful contributors to our society and to our economy, just absolutely cut off. Are there experiences in other parts of the province like that?

Ms Cowden: Very much so, and thank you for raising that and for your words of support and encouragement. Some jurisdictions, some school boards, got out of the business because they didn't feel they could cost recover. Perhaps they're from a rural or remote board and they couldn't redirect funds to support or underwrite an adult and continuing education program. Also, many school boards were forced out of schools. In growth boards, adult programs are forced out of buildings because they're needed for pupil places for elementary and secondary education, and so they have to lease spaces and there isn't the money to lease the space.

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It is a growing problem, and some boards have gotten out of the business of adult and continuing education, which hurts smaller communities. There's a school in every community. Think of what could happen if we could deliver in a small community, in remote, rural or

northern Ontario, an adult education program in a cost-effective way at the school and community level so that those adults could become contributing members.

Mr Christopherson: Thank you for your representation. I add my acknowledgement of the reputation Mr Neumann has in public life that precedes him. Brantford and Hamilton are neighbours, so I know quite well his work both as mayor and as an MPP. Very shortly I'm going to be joining your club, the former MPP of Ontario club—and maybe a few others, except mine is by choice.

To get to the point, David would know that Jack Maga, who is the principal of continuing education for the Hamilton Catholic school board, came in to meet with me about a week and a half ago, which was very helpful in terms of putting into context your presentation and how it affects my community. It's very similar to Monte's experience. In Hamilton we've got 26,000 people enrolled in five different centres. That's a lot of people.

The other thing that was brought to my attention, and you can mention this in your response, if you wish, was that because of the difficulty of the new high school curriculum—and there are a lot of parents talking about the difficulty their kids are having—they're turning to adult education to supplement and shore up their studies so their kids can stay on top and hopefully graduate. Without that, they're worried about whether they will be able to graduate.

Hardly a week goes by in the House that some minister isn't talking about lifelong learning. I've got to tell you, it's insanity. To me, it makes absolutely no sense to talk about the importance of education, to talk about lifelong learning, and then turn around and cut the funding for the programs that provide adult education. How can you have lifelong learning that stops when you're a teenager or after college or even university, for that matter? It makes no sense.

What I see in the future is that either they won't be available, in which case our future workers and citizens are going to falter in going through lifelong learning because there is nowhere to go, or, and maybe this is their plan, the public provision of these services quietly dies away and then we see the private side of things come in to replace it because there will be a vacuum. There is this need and it's not going to go away; it's going to increase.

It seems to me that if we aren't extending the current education system to provide this where the expertise already is—it's in the public domain, it's paid for by the taxpayers—then we're going to find that people have to fork out money from their own pockets and pay for it privately, and somebody's going to be making a fast buck on this sort of thing. Maybe I'm missing something, but it seems to me that's the future we're heading for if we don't correct this.

Ms Cowden: I think that the clients, the learners, the adults we serve would not be able to go to private institutions and pay that kind of money. We believe that

funding in the short run will pay dividends in the long run. A small investment in the whole picture would pay huge dividends in the larger sense.

The Vice-Chair: Are there any questions from the government caucus?

Mr Sampson: The learners, as you say, are there to do a couple of things—to get their high school diploma, I would have thought. But I would guess, and maybe you can comment on this, more go on to something else—

Ms Cowden: Yes.

Mr Sampson: —because that's not enough these days in order to better your career or get a job or hold a job. Can you comment on that for me? How many of your students are doing something other than that, whether they're in your shop or with some sort of other private educator or in fact with the people who were here before you?

Ms Cowden: Many of our graduates go on to gainful employment. We know that employers are still looking for that high school diploma. The Ontario high school diploma means something. It means that you've met rigorous standards and you're accountable for what's on that diploma.

We are seeing many, many more—and I'm sure Murray and Dave could back me up on this—requests for apprenticeship training, which is a good thing for the skill shortage in the skilled trades, and many more for college. I think your attitude is right, that the adults, whatever past life and barriers they faced, now have decided to return. They are seeing that more education and further education is going to help them to be good family members, good providers and role models and will allow them the lifestyle that they see others around them achieving.

Some go to university. Not as many of our clients aspire to university, although we were just talking to the president of UWO at Minister Ecker's round table last Monday. He has first-hand knowledge of a person in his family who returned to an adult high school program and went on to Queen's University. So yes, some go to university, many more to college and to apprenticeships, and a great many go to good employment.

Mr Sampson: I need to get some sense from you very quickly, in two seconds or less, whether there are smarter ways to deliver this, in conjunction with people like the college sector. Can we think outside the box? You're asking us to reinvest. Can you think outside the box when we reinvest? Are we doing this in the right manner? I'd hate to do the same old thing the same old way just because that's the way it was done in the past. Is there a smarter way to do it?

Mr Neumann: I've seen the members from across Ontario. They're constantly going outside the box to find ways to deliver, to help these programs survive and to generate revenue by marketing, to fee paying. In some programs we're not allowed to charge fees, but, for example, some programs are marketed internationally to other countries: the learning of English and the development of skills to enter Ontario academic levels. I would

say the most entrepreneurial people in the education field are in the association we represent. They have to be creative and entrepreneurial to survive and they're constantly thinking outside the box.

The Vice-Chair: Thank you very much.

SUDBURY HEALTH COALITION

The Vice-Chair: Our next group is the Sudbury Health Coalition. Welcome to the standing committee on finance and economic affairs. Would you please introduce yourselves for the purposes of our Hansard record.

Ms Anne Seaton: My name is Anne Seaton. I'm chair of the Sudbury Health Coalition, which is a branch of the Ontario and Canadian health coalitions. As you're well aware, there are very important meetings going on today and tomorrow and perhaps the next day.

We appreciate very much the opportunity to appear before this committee today. Dr Jose Blanco, who is a member of our committee, agreed to prepare and speak to the presentation, which he will do at this point.

Dr Jose Blanco: Thank you very much for the opportunity. I'll tell you briefly about myself. I am a PhD chemical engineer who benefited from both public education and public health. I came to Sudbury in the 1980s to participate in the great recovery of the nickel industry, which was going out of business, and cleaning up the air. I worked in research, production and management; that's my background.

As a spokesperson for this group of citizens, some of whom are sitting in the audience as well, I wanted to tell you that we are very concerned about the future of the province and the country. I wish to speak about several issues that have, in some fashion, been mentioned in the morning. You will recognize the themes that are coming.

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I'll start with my perspective of the country. It started with a compromise and was sealed by three handshakes. It grew by fostering good citizenship, by promoting trust among governments and between governments and the citizens, and by turning immigrants into citizens—and I know that because I am one of them. This has served us very well. We have an advanced province in an advanced country. We contribute to the world well beyond our size. Such people as the previous UN Secretary-General and the Aga Khan have expressed their view that Canada is the promising example of a pluralistic society. We are modern, efficient and cost-competitive. We achieved those results by applying one golden rule: that the interests of the elites and the population are tied together into a very strong and flexible civic platform. On that platform, we obviously want to build strong cities, transportation networks, good water and sewer systems, safe garbage dumps, clean air and a vital, vibrant cultural tapestry. Others perhaps will talk to you about the details of what's to be built on that platform; I want to talk to you about what supports it.

The platform sits on four legs: that we retain some power of regulation or control over key resources such as

forests, broadcasting, electricity, transportation and water; that we abide by the rule of law, collective bargaining and a flexible legal system with a healthy balance between group and individual rights; that we enjoy universal education, including accessible, affordable, high-quality public post-secondary education—and we heard something about that this morning; and that we have a universal health care system with a single payer and high standards. All four legs support the platform. I will not talk to you about two of them; I presume that others will.

I should mention in passing that I was particularly pleased to see that the government retained public ownership of the network that distributes energy. The value of the corridors could be inestimable. As technology develops 100 years from now, they would be totally unavailable.

Anyway, I will focus on two other issues, education and health, because those two issues can be divisive. I don't believe I am exaggerating, because the interests of the elites and the interests of the rest, which have been assembled into a strong and flexible pattern, are beginning to be under some duress.

Let me start with education. If we let money make the educational choices for us and the rich and powerful set up their own systems—and this is beginning to happen—other self-described interest groups will follow. They will split the platform, and we will all suffer. Elite education at elite costs will set the country back because it will mean restricted access and inadequate education for people with less money. It will also mean fewer skills, just as Ontario will need even more skills than our current population is capable of producing.

Ontario already has proportionately fewer post-secondary graduates than the US states against whom we compete for markets, and the recent statistics bear that out. This is not a matter of efficiency, because the net cost of producing those post-secondary graduates in the province of Ontario is lower than it is in the US, and the returns clearly are the same since we're selling the same products in the same markets.

The concern is because we are choking the internal Ontario supply, and you heard several presentations this morning that revealed to you where that choking occurs. It starts in preschool and goes all the way to post-secondary education, just as we need more skills. So we are recommending that Ontario develop and protect a good universal, accessible public education system from preschool all the way to the highest possible post-secondary level. We need more post-secondary education. There is no time to waste. Education is an investment, and it pays twice. It pays first because people with higher education not only get better jobs but they develop better health habits. They live longer and are less of a problem to the health system. In addition to that, they become more productive. So we are asking that you consider proper budget expansion to invest in those foundational initiatives from kindergarten to post-secondary,

with full access, to develop the potential of our young people so that they grow our economy.

My next issue is health. At 10% of GDP, health care is the largest investment that Canadians make. The monies that we spend on health care are not a cost; they are an investment in people. As health goes, so does the country. To repeat what I said about education, if we let money make the health care choices for us, some will set up their own systems, and this is beginning to happen. This will induce others to try the same thing. The end result will be that we'll split the solid platform on which we have attained the benefits that we are reaping today.

It takes time for health problems to become critical, but it takes even longer to fix them once they are critical. Run out of doctors, nurses or technicians and it takes a long time to recover. By the time that infant mortality has gone up, it is too late. By the time that life expectancy has gone down, it is too late. Having said it is an urgent problem, I want to define some of the background in the broad field of public health.

First, public health care is safer than for-profit health care. If we compare the two largest countries, the one to the south of us—the US—and ourselves, mortality data from 1980 to 1996 show that the rate of mortality for 11 major illnesses—cervical cancer, heart disease, stroke, asthma, childbirth—are significantly lower than in the US. It means that it is—or was until recently, anyway—safer, and for some illnesses even twice as safe, to be ill in Canada than in the US. That is a huge economic advantage that we want to protect.

Public health care is more effective than for-profit health care. The public, single-payer, tax-based health system gives Canadian babies and adults a longer life—that means healthier and more useful—than the alternative in the US. The Canadian system is more effective, something that we are seldom in the habit of stating. But we are more efficient and we are more effective. We are more efficient because the Canadian health system delivers better health for only 10% of our GDP and provides full coverage, whereas the US spends well over 14% and leaves just about one in six not covered. The statistics from the US over the last several years show that 25% to 30% of their health costs go to administration plus profit, and I would say that most of it, unfortunately for them, is administration—it's not even profit—because a system of multiple payers becomes terribly difficult to run.

Health care costs have been rising at such a rate that they are now impacting the workplace. US workers generally were covered by their employers; however, the rising costs have forced some US employers to attempt to transfer health care costs to the employees. General Electric, a huge corporation that is an example of the modern corporation—they are number one or number two in the fields in which they compete, and therefore one could easily assume they have the number one or number two highest-paid and best-qualified workers in those fields—wants to transfer US\$1,200 per year to their workers. The last I heard, the workers were on strike.

There are some anecdotes. This is not as hard as the data and the information we mentioned to you earlier, but I have met over the last little while a few retired ex-employees from the same company, people I knew, superintendents and therefore well paid, and I asked them, "What are you doing here? You used to go to Florida." They say they can't afford the insurance that would cover the difference between the costs. I say if they can't afford it, then what happens to the rest?

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Compared to the US, our Canadian system is efficient and effective, our costs are lower and everybody is covered. Infant mortality is lower, and life expectancy is higher. This gives us a tremendous economic advantage, and we want to make it better. So money invested in the public health system in Canada has been a great success economically. It has been a good investment, but we also want improvement.

One of the observations from the last few years is that demand exceeds supply. As in any industrial system, the health system cannot be an exception. When demand is greater than supply, costs rise, delays increase, service deteriorates, efficiency drops and some needs eventually will not be met regardless. Delays in the health system damage health. Delays are as inefficient in public health as in mining or driving around Toronto. We take delays—or we used to—in industry as a symptom of inadequate management, that the needs and abilities of management are mismanaged and therefore that needs attention.

Our governments argued about whose dollars they were for the last several years, and that is a delay we could have done without, because the problems are very real. We say, "Please stop and listen to us." We're telling you that in health care, time is people. Remove the delays and recover the inherent costs, and let's get on with improvements. We have to focus on the shortage of human and other resources.

Some of the delays are structural, and money alone won't fix them. We are short of trained family doctors, nurses, therapists, administrators and, on the evidence, project managers. We must take steps to correct the shortage, period. That's an essential move.

One of the problems you are confronting—and obviously you are confronting it on a larger scale than the rest of us—is that hospitals are now massive businesses. They have hundreds of millions of dollars in investment and they cost hundreds of millions of dollars to run. Those are complex businesses. I don't know how one understands billions of dollars to run, but those are the problems we have to contend with. There aren't enough people with the right experience, and we have to generate it. Governance also needs revamping so that the right skills mix is available on the boards.

From the point of view of the specific shortages, I believe the medical school of the north is one good way to get going on doctors, with the particular education that is needed. Nurses, too, ought to be available, if we can attract them with the right working conditions. We must

focus on correcting the shortages of doctors, nurses, technicians, administrators, project managers and governors, and the health budget should acknowledge the urgency of such needs.

One other issue you might consider is that given the disconnect between the number of doctors and the expenditures for health that has been proven over the last several years by the data, we might consider letting the students and the universities make the decisions as to the numbers. They are certainly faster than any government could possibly hope to be. They always have their ear to the ground.

There has been discussion about alternative finances, and I have some position on that one as well. Shifting health spending to the individual is the principle that has created the large management problems in the US. It has made it less effective, less efficient and less inclusive than ours. It has brought GE and its workers into conflict—not a good prospect. Increased life expectancy is really the ultimate measure of the return on investment in health issues. The fact that ours is higher and continues growing is a measure of Canada's competitiveness and is also an expression of who we are.

Taxes are the most economically efficient and equitable source of additional revenue for the health system. They carry the lowest collection and friction costs of the available alternatives, and practice shows they are economically sounder.

In a few words, we wish to retain and improve the health care system that we have, based on public funds, single-payer universal coverage, adequate human and physical resources, measurable and accountable, in co-operation with federal and provincial governments and balanced across the country.

One of the comments I would like to leave you with is that I participated years ago in an interprovincial education group. I can't remember the proper name, but the Ministers of Education were getting together. My experience from that was that very useful information was being transferred from one ministry to another and therefore enhancing everyone's benefit. This is perhaps something you might wish to consider.

We will know we have gotten there when our public health care system provides all Canadians with the standards that meet the needs of those Canadians who could afford something else. We need those Canadians to be happy with the public health system. We also need them to be happy with the public education system. But they are not fully satisfied, because they find deficiencies.

On a long flight, it is reassuring that the people who travel first class are relaxed and asleep and the pilots look relaxed, because then those in the economy class can also relax, secure in the knowledge that as long as they travel together, they will get to their destination safely.

We want our governments to protect and improve what we have: a society that is modern, effective, efficient and economically competitive. We know how we arrived at that. You heard this morning some of the

examples of how that is done. Those are decisions our government took 30 years ago.

Quality public education and quality public health care that satisfy the needs of all Canadians have moved Canada and Ontario into the ranks of the best places in which to live, and we want to remain there. The passengers in the front of the plane have become a little bit restless. So what we want to do is work and invest so that we can fix the deficiencies and improve things so we can all relax for the rest of the trip.

The Chair: Thank you. You've consumed all the available time. We appreciate your comments and your input. It leaves no time for questions. Thank you for being with us today.

Just a couple of announcements to the committee. There has been one change to the afternoon agenda. We have been successful in reaching the Sudbury and District Home Builders' Association, and Mr Del Bosco or his representative will be here at 1:40 in the cancellation slot. We have yet to hear back from the West Nipissing municipality as to whether they will be able to make it.

The departure will be from the hotel by bus at 4 o'clock. Bring your snowshoes. The flight is currently scheduled for 4:30, with tentative arrival in Thunder Bay at 6:45, if we don't need to have an emergency stopover in the Soo.

Mr Bartolucci: Good luck.

The Chair: Thanks, Rick.

The last announcement is that lunch for members and staff is in Fratelli's, upstairs.

We recess until 1 o'clock.

The committee recessed from 1149 to 1301.

The Chair: The committee on finance and economic affairs will come to order.

ONTARIO SCHOOL BUS ASSOCIATION

The Chair: Our first presenter this afternoon is the Ontario School Bus Association. Welcome.

Mr Ron Malette: Mr Chair, members of the standing committee on finance and economic affairs, this morning, 800,000 children in communities across this province, from remote towns and villages in the far northwest to suburban centres in the greater Toronto area, boarded the familiar yellow and black school buses for the ride to school, a trip they will repeat once again in the afternoon, a trip that more than 1.5 million parents in Ontario expect will be safe, secure and on time. Simply put, the educational day for many Ontario students starts with us and ends with us. We are a small but very important partner in education.

However, after 50 years, Ontario's student transportation system is now at risk. I'd like to add that when I refer to the Ontario student transportation system, it begins with school board officials who plan bus routes, to the well-trained bus driver who carries over 200 children a day, to the school principal who is expected to enforce disciplinary problems under the Safe Schools Act, to the

company dispatcher who calms parents' calls on bad-weather days.

My name is Ron Malette. I am the president of the Ontario School Bus Association and owner of Tisdale School Bus Lines Ltd in South Porcupine. I was expecting to be joined today by Rick Donaldson, the executive director of the Ontario School Bus Association. However, due to flight and weather delays, he was not able to be with us.

Since the early 1990s, parents, school boards and the members of our industry, many of whom operate small businesses employing over 15,000 Ontarians, have told successive governments that the provincially funded student transportation system needs their immediate attention and leadership.

In 1997, six years ago last month, the OSBA released a detailed study by Ernst and Young identifying current and potential future problems in the student transportation system. That report went unheeded by government.

In 1998, the Ministry of Education established an expert committee comprised of government, industry, school board officials and parents. Acknowledging the current system was inequitable, the committee had one sole purpose: designing a new student transportation funding model.

In support of the committee, the ministry developed an options paper. However, many of the options were rejected, as they failed to meet the basic principles of fairness, equity and accountability. Notably, one of the rejected options was a student kilometre/linear density model currently used in Alberta.

Not to be discouraged, during the four years the expert committee has applied even greater diligence designing a funding distribution model that recognizes the principles of fairness, equity and accountability; incorporates recommendations of the Provincial Auditor; introduces new measurable parameters, including safety measures and a data-based, auditable costing analysis; demonstrates sensitivity to the vast and different geography; and recommends a phased-in approach within three years, beginning in 2002.

Last May, following the creation of the Education Equality Task Force chaired by Dr Mordechai Rozanski, the government encouraged our association to work with the task force, as its mandate included studying the student transportation policy development work, and we did. In our September submission to Dr Rozanski, we documented the unhealthy economic state of the school bus industry, referencing the 1997 Ernst and Young study and subsequent research.

The OSBA has stated repeatedly that Ontario's system needs fixing. However, Ontario does not need an Alberta fix, characterized by aging bus fleets and the inability to measure the true costs. Even more concerning, after four years of effort, including our commitment to work with Dr Rozanski, we were told the government would shelve the committee's work three weeks before Dr Rozanski's report was released. The government opted to start afresh

and study a student kilometre/linear density model, as in place in Alberta—the same model rejected four years earlier by its own expert committee.

When the Education Equality Task Force report was released, Dr Rozanski said: "I heard considerable support for the immediate implementation of a needs-based funding formula—that is, one that takes into account student needs instead of the existing historical allocation—and I agree that the issue is urgent. I am recommending that the Ministry of Education build on the extensive work already done by the transportation funding review committee and complete the development of a needs-based transportation grant as quickly as possible."

On the issue of the current funding for student transportation—\$631 million—Dr Rozanski pointed out that the general updating of cost benchmarks from 1997 to 2002 would result in \$80 million in additional funding. In other words, the system is underfunded today by over \$80 million, again proving the 1997 Ernst and Young report was right on.

With respect to the Education Equality Task Force report on the needs-based accountability and equity model, we ask the committee to recommend to the government that it scrap studying the student kilometre/linear density model and move immediately to complete the work of the past four and a half years on a made-in-Ontario model.

Why no to the student kilometre/linear density model? It takes Ontario's student transportation services backwards to what we had in the 1960s; it does not recognize the real cost to transport Ontario's students, suggesting that the government does not understand student transportation needs; it exacerbates existing regional funding disparities, creating further uncertainty in the system; it discredits four years of combined industry and government work to develop a made-in-Ontario model for student transportation services across the vast geography of this province; it may result in the overcrowding of our school buses, putting students at risk; and it was rejected by the expert committee in 1998.

As you would appreciate, our industry feels strongly about the issue. We should; we carry a precious cargo each and every day. Our industry has actively worked with the government since 1997. We have worked directly with three different Ministers of Education and Dr Rozanski's task force, and still there is no new funding model for student transportation.

Ontario's students and their parents deserve better. They deserve the right to know that Ontario's student transportation system is safe and will not be compromised by government inaction. Mr Chair, we solicit your help and the help of this committee to meet these expectations.

In summary, the OSBA urges the following: that the standing committee on finance and economic affairs recommend that the grant for student transportation for 2003-04 be \$711 million; second, that the standing committee on finance and economic affairs recommend

that the government accept Dr Rozanski's call to complete the work of the expert committee of the last four years as soon as possible; lastly, that the standing committee on finance and economic affairs recommend that until the new funding model is fully implemented across Ontario, the transportation grant be enveloped solely for student transportation.

The Chair: Thank you, sir. That leaves us with almost three minutes each, and we begin with the NDP.

Mr Christopherson: Thank you for your presentation. Good to see you again. Expand for me and help me understand a little better the kilometre/linear density model. Break it down a little bit for me.

Mr Malette: OK. What they do in the province of Alberta is measure every student from his home to the school the student attends and they base funding on total kilometres for the combined school board. How I perceive that is that if a student, say, in the GTA is three blocks from school, they're going to actually calibrate that student and include him in the funding model. So if they do funding on the linear model, it just doesn't seem to—kilometre is linear.

Mr Christopherson: And what do you experts in the field respond to that comment? I can understand why, if you wanted to be fair about a system—as you say, in the GTA it may not be anywhere near as long as it is, say, here in Sudbury—it might not give you a fair evaluation of the cost; I accept that. But this has obviously had a lot of attention, and there's obviously a counterpoint to that. What would it be?

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Mr Malette: I guess a cost-times-need basis would best suit the industry.

Mr Christopherson: Is that what is used mostly across the country, or not?

Mr Malette: I can't really answer what it is across the country. I know we've done a lot of work on it through our association, and that seems to be what would work best for the province of Ontario, in our opinion.

Mr Christopherson: I guess there's no point in asking whether the Americans have anything similar. I don't even know whether they're in the same kind of work in terms of calculations.

Mr Malette: We've been researching it. We haven't had a lot of hard data to analyze at this point.

Mr Christopherson: I remember the last time we had school buses come up. It was a few years ago. While you were reading, I was trying to remember what the issue was. There actually was some movement. It was either our government or the Tories just after us. It was the last time I saw this as a major issue in front of us.

Mr Malette: If I may, historically what has happened is that the province of Ontario transferred funds to the school boards, and school boards, with the financial restraints that they're encountering, will actually use some of the funds that were earmarked for transportation for program development, the JK program or other things that do actually have a lot of value in the classroom. It does little to assist our industry.

Mr Christopherson: We have it the other way around in Hamilton. They've underfunded transportation so much that the only way they can maintain the bare bones of the system is to actually rob from other areas. The other day we heard a presentation, and it was Mr Sampson, I think, who made the point and said, "We should have made them spend the money for guidance counsellors on this." That was it. That's the sort of thing where you don't want to get rid of a guidance counsellor, but if you don't have enough money to get the student from home to school, the guidance counsellor becomes rather a moot point. You've got to go back to your fundamentals; that is, we've got to get them to the school in a safe fashion.

I'm not sure about other boards, but I know that in Hamilton the funding cuts to transportation have necessitated the board taking money from other areas of education to put into maintaining at least a bare-bones transportation network.

Having said that, I would also say to you that no matter how you look at this, what perspective or how you carve this up, this is a huge issue. If the people who are operating the fleets are in any way cutting back on maintenance—not that I'm saying they're doing anything wrong, but if they aren't being as proactive as they'd like to be—then our kids aren't getting the safety that they could have, even if it's within guidelines, which I think is part of what your point is today.

Mr Malette: I don't think you'll ever find anybody in our industry who will jeopardize the safety of children.

Mr Christopherson: Agreed.

Mr Malette: That will never happen. We've had to take some drastic measures within our own operations, and it's always on the backs of the employees. Maybe it's unfair to go to your employees and ask them to subsidize the industry.

Mr Christopherson: Absolutely. I wish you well in the fight.

The Chair: Thank you, sir. We move to the government.

Mr Beaubien: Thank you very much for your presentation this afternoon. I would have to agree with Mr Christopherson that it is a huge issue, because it is a large province and the demographics are certainly different in my part of the province than they are over here. I don't really think there is one solution to the problem. But I can recall, as a member of our community for nine years prior to the funding formula, the Lambton school board, which is now the Lambton Kent school board, running an old school bus fleet and having major difficulties. So when we say that the system is at risk now, I think it has been at risk probably for a number of years.

The solution to the problem is going to be difficult to find. There's no doubt about that, because I think we still have some school boards that do run their own fleets. We have the for-profits. The not-for-profit operators are having the same problems as the for-profit operators. I

don't know what the difference is. I've never been able to tell the difference between for-profit and not-for-profit.

You mention that you don't want to proceed with the Alberta solution, whereby you allocate on a per kilometre basis per student. What do you think would be a formula—like I said, I don't think you can use it province-wide—that would help you here in this particular area because of the cold and the long distances?

Mr Malette: Two points. I guess the first one is that I think that through the funding review committee, we were able to establish the actual cost of operating a school bus daily to and from school. What we need to do is justify the need, to quantify the amount of buses required out in the province of Ontario. I think that we have been able to do that through the funding review committee. The way I perceive it, maybe it's just too difficult a challenge for the ministry and its staff to try to go to boards that have been overfunded—not overfunded, but funded reasonably well over time—and ask them to reduce the transfer funds to those boards.

Mr Arnott: Following up on that, I guess you're suggesting that some school boards are receiving more funding than they actually need, if that's what you mean.

Mr Malette: That's very correct, yes.

Mr Arnott: And others are receiving considerably less than they need.

Mr Malette: That's correct.

Mr Arnott: I just want to say that I think your organization deserves credit for working with the government toward a solution and being prepared to sit down, roll up your sleeves and try to find a more fair, equitable and appropriate formula. I would hope that the government will in fact move forward with what you're asking for, and I'll certainly commit to you that I'll make sure that the Minister of Education is aware of your presentation today and the advice you've given us.

Mr Malette: I appreciate that.

The Chair: We move to the official opposition.

Mr Bartolucci: Ron, thank you for making the effort to get here. You should know that Ron came from Timmins last night. If you've ever driven Highway 144, you realize that it's one heck of a ride down. He's not sure whether he's going to be going back on Highway 144 or via North Bay because of the conditions of the road. I think this obviously reinforces the importance that he wants the committee to have when it comes to the funding of the transportation system in our school system, so I thank you for it.

The solution appears to me to be rather simple. You had an expert panel, correct?

Mr Malette: That's correct.

Mr Bartolucci: What were some of the recommendations of the expert panel?

Mr Malette: Actually, Dr Rozanski spoke to it quite clearly. He was saying that there needed to be an influx of \$80 million just to bring it to the level of 2002. We are now into 2003. That was also substantiated, as I said, by Ernst and Young. Our association has worked diligently with ministry staff. We've worked with three different

ministers. I think our plea to the ministry was there and they understood us loud and clear. I think it became a funding issue as to where they had to come up with the extra funds. I think it's critical that it be addressed very soon.

Mr Bartolucci: It is becoming a growing problem for this government as to how they're going to be able to fund things appropriately, not increase, because of their past practice.

I want you to expand a little bit on the transportation grant, the envelope solely for student transportation. How would that work?

Mr Malette: I think there's a very simple solution to our problem. Once they bring the level up to \$711 million, I feel that there are reasonable dollars in the system to fund our industry properly. The problem that we encounter is that a lot of the boards take the funds from the transportation section and use them for other departments. And I can appreciate that. Some are justified; at times I wonder if they are actually justified.

I deal with the board up in Timmins. They always want to work within budget, but in the budget there are always some discrepancies. We have a difficult time taking them to task on what the actual transportation allocation from the province is. From what I get off the Ministry of Education Web site on the transfer payments, disclosure is not always there; it's not as transparent as it should be.

The Chair: With the permission of the committee, could I ask Mr Malette a question?

Mr O'Toole: Yes, I think that's appropriate, Mr Chair.

The Chair: Thank you. In the study that Mr Bartolucci is referring to, when you worked with the ministry and Dr Rozanski to determine the formula, it was determined that the linear/kilometre density model was not the one that you condoned. You wanted a funding system based on needs.

Mr Malette: Costs times needs, yes.

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The Chair: OK. And you're looking at \$711 million. I'm trying to understand what formula you would be using to determine those needs.

Mr Malette: Actually, with technology today, the Ministry of Education has allowed the boards the opportunity to buy software programs that will help them enhance the bus routes and give them an actual number at the end of the day as to how many buses they need to service a certain area.

The Chair: Would there be any determination as part of that process as to the distance? It varies from board to board where the students qualify for busing. There's no question in a rural environment, but in an urban environment, they pick anywhere from one kilometre to as much as two and a half kilometres in terms of the radius before they start busing the kids. Was there a discussion about that?

Mr Malette: In our study with the Ministry of Education and the funding review committee, we did

look at that. It becomes a bit of a political football field, if you will.

The Chair: With parents?

Mr Malette: Exactly. I'm compassionate with the ministry's problem, trying to deliver that to parents. We've got a broad geographic area in Ontario. Who is going to set the walking radiuses? It has to be a political decision, I would think. I think it has to come from the ministry that the walking radius will be whatever is reasonable.

The Chair: Thank you, Mr Malette. We appreciate it. And I thank the committee for your indulgence. That concludes your time, sir.

SUDBURY AND DISTRICT HOME BUILDERS' ASSOCIATION

The Chair: Our next presenter, the Canadian Association of Not-for-Profit RESP Dealers, has cancelled. Fortunately, Mr Del Bosco, of the Sudbury and District Home Builders' Association, is here. Would you please come forward, sir. You agreed to move from 3:20 to now, so we appreciate your being here. Please state your name formally for the record. You have up to 20 minutes.

Mr Terry Del Bosco: I don't think I'll be taking the 20 minutes.

The Chair: Then get ready to answer a lot of questions.

Mr Del Bosco: My name is Terry Del Bosco, and I would like to thank you for asking me to come here. Today just didn't work out to be a good time for our association to be here. We currently have a training program going on for our builders, and it just so happens that our president, our vice-president and most of the building members of our association are attending this training seminar. So here I am.

I am the past president of the Sudbury and District Home Builders' Association. I've been involved in the residential construction industry for over 20 years now. I am president of Del Bosco Surveying, and my company works on projects throughout northern Ontario. I am involved in a wide variety of projects, ranging from seniors' complexes, highway re-alignment and residential subdivisions.

As with all members of our association, I am a volunteer. In addition to our businesses and personal responsibilities, we are dedicated to serving our industry.

I appreciate the opportunity to speak with you here today. You have already heard and received submissions from the Ontario Home Builders' Association and many other sister associations throughout Ontario, and I am sure I will be reiterating many of the points and recommendations that have already been made.

The Sudbury and District Home Builders' Association is the voice of residential construction in Sudbury, as the OHBA is throughout Ontario. Here we have over 60 members who contribute to improving the building environment in Sudbury, and our membership is made up of all disciplines involved in residential construction. It's

estimated that we produce approximately 80% of the new housing stock here in Sudbury, and we also renovate and maintain the houses.

We are continually working with other government organizations—for example, the city of greater Sudbury—to seek out and find ways of streamlining the building and development process. An example of this was the initiation and creation of the development liaison and advisory committee, known as DLAC, here in Sudbury. This committee was started by our association and includes professionals, trades and other subcontractors who participate in the building industry, along with many officials from the city of Sudbury. Together, we have made significant improvements to the building environment. We significantly cut down the time it takes to get a building permit, we streamlined the planning process, the re-zoning process, and the road widening implications that have come up. We've made great strides in working toward a better building environment.

Sudbury's housing market improved significantly in 2002. Starts last year were up by over 50% from the previous year. Our housing market is moving in a strong and healthy direction. Low mortgage rates, the immigration of professionals with high-paying jobs to Sudbury, along with job growth, have contributed to the strong sales in 2002. Statistics have also shown that the majority of new homes built here in Sudbury are large homes for professionals moving into the area.

We are looking forward to another healthy new-housing market again this year. We are predicting approximately a 20% to 30% increase in new home starts from last year. We believe this sends a positive message to our community.

We are confident that 2003 will be a good year for our industry. However, we do have some concerns that are a hindrance to growth. They are overregulation, development charges, skilled labour shortages, shortages in the availability of land and increasing material costs. To maintain Sudbury's and Ontario's healthy residential construction industry, these issues must be addressed.

Excessive regulation and overtaxation on the homebuilding industry have pushed the price of new homes higher and higher. This can put new home ownership out of the reach of many families. Statistics have shown that up to 30% of the cost of a new home can go toward fees such as taxes and development charges. This can equate to about \$30,000 on a \$150,000 home. Development charges represent a substantial portion of these fees.

This is a serious concern to us. It is suggested that some municipalities are manipulating development charges to increase revenue. Our association, along with the Ontario Home Builders' Association, is very concerned about this issue. These charges contribute significantly to the cost of housing in the province.

Our association, along with the Ontario Home Builders' Association, recommends that the government identify and correct the abuses of development charges in the homebuilding industry. We would further recommend

that you intervene to ensure that the intent of the legislation is upheld, and that is, to reduce costs.

Last year the government announced its intention to offer opportunity bonds tax-free to investors. We support this move. The bonds are a fair and proactive method of financing the expansion of municipal infrastructure, rather than development charges. Extending the tax exemption status of these bonds to include federal taxes will also increase their attractiveness to potential investors.

Transportation is also key to marketing and developing our area. Recent announcements to improve Highway 69 are a step in the right direction. Currently, the provincial government collects taxes on fuel which are not allocated to a specific purpose but simply placed in general revenue. We are recommending that a percentage of the current fuel tax be directed to building, servicing and maintaining roads. Mass transit is not as much of an issue in our area as it is in southern Ontario; however, consideration should be given to other forms of transportation in the north, such as rail and air.

The shortage of skilled labour is a major concern for the construction industry. This has been a concern of our local association for a number of years. In 1991, we sat on a committee that examined market trends and training needs for the districts of Sudbury and Manitoulin. Our results were the same as other studies conducted throughout Ontario.

The number of young people entering the industry is not offsetting the increasing number of retirees. We must inform and educate our young people about the opportunities available in the construction industry. We must promote skilled trades to our young people, in our schools and in the media. We believe that the government must increase funding for shop facilities and promote co-op programs in our schools. I have personally been involved with the co-op program and can attest to its success.

1330

Shortages in the availability of serviced land have been an issue in Sudbury for a number of years. Studies have been conducted looking at our water supply and sewage system. There has been some effort made to improve our infrastructure, but we believe this is not enough. We have to look to the future. Problems still exist with our water supply, and we currently have a sewage system that is near or at its maximum capacity. We don't believe this is unique to our community. We are recommending that the government look further into helping fund projects that will enhance our infrastructure.

Rental housing is becoming in short supply in several urban areas throughout Ontario. This is starting to happen now in Sudbury. Canada Mortgage and Housing Corp indicates a shortage of about 14,000 new rental units per year over the next 15 years in Ontario. We are recommending the lowering or elimination of development charges on rental units. The government is encouraged to promote policies for private investment in this sector and

to continue the \$2,000 per unit PST program. Adequate shelter is a basic necessity for all Ontario citizens.

Pressure from the underground economy continues to plague our industry, particularly in the renovation sector. On the provincial level, it is estimated that between \$1.1 billion to \$1.7 billion per year is lost in tax revenue to the underground economy. It is a known fact that health and safety standards are lower in the underground economy. We recommend that the government work together with industry to promote the skills and services of registered and legitimate renovators and contractors to the public.

Our association compliments the move of the government in 2000 to make the land transfer tax rebate for first-time new home buyers permanent. It is estimated that since its introduction in 1996, rebates totalling approximately \$180 million have helped more than 126,000 Ontarians purchase their first home. This has certainly contributed to the solid growth experienced in the new housing market.

A survey of our members showed that priorities for the provincial government should be as follows: some income tax cuts, more support for small business, spending cuts, improved infrastructure and new rental construction. We realize it is a difficult balance, but we support the fiscal policy of the government to continue in the direction of spending cuts and tax cuts.

I would like to thank you for your attention and interest in our presentation. We have always been actively involved in the consultation process, and we look forward to helping develop a strategy for promoting and managing growth in a way that sustains a strong economy.

The Chair: Thank you, Mr Del Bosco. That leaves us with two minutes per caucus, beginning with the government.

Mr O'Toole: It's very important to hear from one of the more important sectors in the economy. We've heard repeatedly from economists and other sector leaders in our presentations about the importance of the home construction and commercial construction sectors to the economy, also repeating a lot of the factors that justify that. They're worth repeating again: low competitive interest rates are extremely important, also the job growth and multiplier effect. It's evident that some of our policies have been successful—not just to toot our own government horn. We operate from the premise of creating a strong economy, of which you're an important part, and part of that is being tax-competitive in a number of the ways you've mentioned, I might say as well.

On the housing issue, we do hear and have heard, and probably will hear from the opposition, that there's more to be done to make housing affordable and yet fair and accessible to everyone of modest means. I think the PST and the land transfer tax have been successful programs, and I appreciate that.

The Chair: Question, sir?

Mr O'Toole: We also heard from Cambrian College with respect to skilled trades. Are there other mechanisms whereby we could eliminate some of the barriers,

not just the development charges—that's a complicated issue; I think it has been talked about since the Liberals introduced it. Are there other things we could do to make housing more affordable, to eliminate the red tape and yet have safe, reliable, affordable housing?

Mr Del Bosco: I think that's a difficult question to answer. Everything is always cost driven. No matter how hard you try to do it, things are cost driven, and the incentives like the PST rebate for first-time homebuyers are definitely things that are going in the right direction.

I know that here in Sudbury we experience a lot of, if I can use the words, red tape when we're going through council or going through the planning department. Those things seem to almost deter people from developing at times, and the amount of time spent on that ends up on the bottom line of the cost of a project. I realize it's in a lower level of government, but I'm sure that if we start from the top and work down, and start from the bottom and work up, somewhere in between, things are going to come together and make the building environment more streamlined. If it's more streamlined, less time is less money.

The Chair: We move to the official opposition.

Mr Bartolucci: Terry, thanks very much for a very good presentation, a very interesting presentation and a presentation that certainly will evoke more thinking and also provide the government with some suggestions.

I'd like you to outline to the government members in particular what their centralization of services did to your association across northern Ontario. You will know that from 1995 on, there was a centralization of services and, to be fair to the government, 6,282 jobs—no more, but no less—were lost in the north.

Mr Del Bosco: We definitely lost members. If we take a look at housing starts—1996 was the year you used—from 1996, housing starts went in only one direction and that was basically straight down. I believe it was in 1992 or 1991 that we had 1,500 housing starts in Sudbury. By the time 1998 rolled around, we were down to 200. From 1998 to today, we have started to move back in the right direction. But the centralization definitely hurt our economy. We have a hard time attracting people here—doctors are hard to attract. Once they get here, though, they don't want to leave, because we do have a great place to live.

Mr Beaubien: Good housing stock.

Mr Del Bosco: Yes. We have a great place to live.

The Chair: We move to the third party.

Mr Christopherson: Thank you for your presentation. It's very enlightening. Certainly what's happening here is similar to what's happening elsewhere across the province, with some local differences.

Just a little bit on development charges and lot levies; I don't want to leave this subject without making sure we have identified the other side of this, the other pressure that's on there, and that of course is the municipalities. After the home builders have built the homes and the people have moved in and you have moved on to a new development area, of course the city is left with having to

make sure there are enough schools in the area, enough libraries, recreation centres, green space, parklands that have to be maintained and other things that make it worth living in that particular area. Whatever part of the cost is not covered by development charges—meaning the people who are moving in there who are driving the need for a new school, a new library or a new rec centre—means that somebody who bought their house 10 years ago is going to have to pay a little extra in taxes to build a recreation centre in somebody else's part of the city.

I just wanted to point out that there is the competing pressure. You mentioned it's complex, and that's one of the complexities. The higher it is, certainly the less profit. But in most cases, really what happens is that it gets added to the bottom line and the homebuyer pays more—agreed. On the other hand, those municipal services have to be provided, and if they aren't provided by those who are moving into the homes and are going to use them, then someone else, usually in the older part of the city, is going to have to pay somebody else's freight. That's the competing interest. Have you any thoughts or comments on that side of the equation?

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Mr Del Bosco: I have to agree with you there. However, when we started to experience a decline in housing starts here in Sudbury, our development charges were going up, and we had to work extremely hard to convince the city officials that you can't be charging more when the scale is going the other way. We successfully petitioned our city council to reduce development charges, and it was a large demonstration that we had to put on. Rick will attest that we probably had 1,000 or 1,500 people at Civic Square, with transports circling Civic Square, telling our local officials they couldn't go in that direction.

You were talking about parkland and those sorts of issues. Typically, when a subdivision is developed, those issues are addressed by the council at city hall in the draft subdivision agreement. Parkland is dealt with; parks are dealt with. Schooling and libraries are tough issues, because they depend on the type of people who move into a neighbourhood. If you have all seniors moving into an area—if it is developed as a seniors' complex—maybe a school isn't as big an issue.

Mr Christopherson: But more lighting and security might be.

The Chair: Thank you very much, gentlemen. And thank you for accommodating us and moving forward the time to do your presentation. We appreciate your presence here.

ONTARIO ASSOCIATION OF SPEECH-LANGUAGE PATHOLOGISTS AND AUDIOLOGISTS

The Chair: Our next group is the Ontario Association of Speech-Language Pathologists and Audiologists. I heard that my long-time friend Fiona hasn't been able to make it.

Ms Joanne Querney: Despite her best efforts.

The Chair: We ask that you be kind enough to state your name for the record. You have 20 minutes, and if there's time left over, we'll have questions. Welcome.

Ms Querney: Thank you for having our association here today. Fiona, despite spending the last 24 hours either at the Toronto airport or circling above Sudbury, was not able to land. In her place, I am Joanne Querney. I'm an audiologist in Sudbury. My colleague Mary Ann Peloso, who is a speech-language pathologist, will be sharing some thoughts with you about the delivery of speech-language pathology and audiology services in Ontario.

On behalf of OSLA, we appreciate the opportunity to participate in the 2003 Ontario pre-budget consultation process, and we welcome this chance to provide you, and ultimately the Minister of Finance, with our input on Ontario's economic policy direction, particularly in regard to improving access and quality of care for Ontarians who require the services of audiologists and speech-language pathologists.

Our presentation today covers three main areas. First, it provides some background on OSLA and the important role our members play in Ontario's health care and education systems. Second, it calls for some measures to ensure patient access, quality of care and cost-effective delivery of audiology services in Ontario. Finally, we would like to request assistance from the government to help resolve service and delivery issues for speech-language pathologists across Ontario. At the end of our remarks, we would be pleased to answer any questions you have.

To give you a little background, OSLA is the professional association representing speech-language pathologists and audiologists in our province. Both are included as separate and distinct professions under the Regulated Health Professions Act. As autonomous professions with master's and doctoral degree levels of education, we have comprehensive scopes of practice enshrined in the Audiology and Speech-Language Pathology Act, 1991. OSLA represents over 1,650 members, including 290 audiologists, 1,365 speech-language pathologists and student members from both professions. Our objective is to promote the interests of OSLA members through a range of supportive services and advocacy activities.

Currently, one in 10 Ontarians require the services of either an audiologist or a speech-language pathologist to assist with speech, language, swallowing or hearing difficulties. Audiologists and speech-language pathologists often collaborate with other regulated providers, including physicians, nurses, dietitians, teachers, occupational therapists, physiotherapists, social workers and psychologists, to provide optimum care and treatment to individuals with communication, swallowing or hearing problems. There's more detail about the specific services of audiologists and speech-language pathologists in our package.

I'd like to turn now to the delivery of audiology services in Ontario. OSLA has been working with the Ministry of Health and Long-Term Care for at least 20 years to revise existing regulations under OHIP to create an efficient, high-quality system for delivering audiology services to Ontarians. In August 2001, changes, additional regulations and a total delisting of some services entrenched a flawed system for delivery of diagnostic hearing tests in Ontario through funding contained in the physicians' schedule of benefits. This has resulted in diminished quality of care, reduced patient access to audiological services and, of important significance, greater and unnecessary health care costs for the Ontario government. Moreover, these changes open the door to funding services provided by unregulated persons. It makes sense that direct access to regulated health professionals with expertise specific to patient needs avoids unnecessary duplication and inconvenience to the consumer, and cost to the system. It follows, then, that Ontarians should have direct access to audiologists without delays.

Our solutions: in July 2002, OSLA submitted a proposal—indeed, our second in three years—to the Ministry of Health and Long-Term Care that would address the consumers' need for accessible, quality services while meeting the ministry's budgetary constraints. Our solution would result in an estimated saving of up to \$170 per patient encounter and would minimize duplication and remove unnecessary burdens on physicians' time. It involves funding audiology services directly, outside of the physicians' schedule of benefits, through such defined routes as alternative payment plans to audiology practices and institutional global budgets.

As the Ontario government reviews policy options for better managing health care expenditures, we suggest that the proposal set forward by OSLA be considered for implementation and that the Ministry of Health and Long-Term Care work with OSLA to reinstate constructive discussions regarding predictable, viable funding alternatives for audiology services in Ontario that would ensure a cost-effective delivery model and appropriate utilization of services, restore equitable and timely access to audiology care, resolve quality-of-care issues and resolve constraints on audiologists' scope of practice.

OSLA commends the government for introducing the leading-edge infant hearing program and recommends that this program be maintained and enhanced. It is a wonderful program, and we are very grateful for it.

I'm now going to turn the microphone over to Mary Ann Peloso, who will be discussing some speech pathology issues.

Ms Mary Ann Peloso: I'll be discussing the services and delivery issues for speech-language pathologists across Ontario.

First, I'll address the supply and demand issues for speech-language pathologists. OSLA has researched this area and has published our findings in two documents. These findings confirm that ratios of speech-language pathologists to the population fall short of meeting demo-

graphic demands, and projections for the future indicate there will be increased needs for these professionals.

The immediate effects of the shortage of qualified speech-language pathologists include delays, constraints and gaps in services, increased demand, and inherent costs and challenges in retaining staff, filling vacancies, and recruitment efforts.

The Ministry of Health has discussed this important issue with OSLA but has indicated that there is no mandate to find appropriate solutions at this time. I should mention that our first report includes information about audiologists, but the crisis in that sector, as Joanne has already discussed, must be resolved before we can fully appreciate supply and demand issues for audiologists.

Our solutions: OSLA proposes that the government earmark funds for increasing university enrolment in speech-language pathology programs. OSLA also recommends that the government work with our association to develop strategies to repatriate Canadian students from US programs upon graduation and increase financial incentives to attract professionals from other jurisdictions with an adequate supply of speech-language pathology professionals. Along the same line, OSLA could also work with the ministry and the College of Audiologists and Speech-Language Pathologists of Ontario to develop strategies to fast-track credentialing of professionals who meet the high standards of the profession in Ontario but have been trained in other countries.

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Now I'd like to talk about providing services in Ontario's schools. For over two decades, OSLA has been actively working in partnership with the Ontario government to provide input and recommendations regarding provision of speech and language services in Ontario schools. While OSLA has enjoyed many opportunities to work with the Ontario government on a variety of school services initiatives, our concerns include ensuring the provision of responsive, effective, accountable speech-language services throughout the school years; ensuring that services for school-age children are coordinated by speech-language pathologists working in education; and ensuring adequate funding for children with speech and language needs.

Our solutions: OSLA is committed to continuing to work with the government on initiatives to assist school-age children. We request continued opportunities to provide input on any initiatives that involve oral language and communication needs of school-age children, including curriculum, program standards and coordinated services.

In addition, OSLA promotes availability of a comprehensive system of communication services for school-age children which should be coordinated through school boards. We request that the government of Ontario review OSLA's Position on Speech and Language Services for School Age Children, written in 1999, and implement the recommended proposals.

OSLA recommends ongoing attention to the formulae used in funding school boards, taking our recom-

mendations into consideration, so that the needs of students with communication difficulties can be adequately addressed. These recommendations are included in our document OSLA's Response to the Education Equality Task Force Discussion Paper on Student-Focused Funding.

Lastly, I will speak about providing health care speech-language pathology services. OSLA has concerns about budgetary constraints that have created barriers to meeting the needs of Ontarians who require the services of speech-language pathologists in health care settings. The funding freeze for community care access centres, or CCACs, has restricted adequate provision of in-home and school-health speech and language services coordinated by these agencies. In addition, due to wait lists for services and changes to admission and discharge criteria, timely access continues to be a concern, particularly in situations where intervention is postponed until clients become high-priority or high-risk. While this saves short-term costs, long-term costs for the system increase. At the same time, we have been aware of numerous reductions, closures and gaps in services for outpatient adults requiring speech-language pathology services. We are in the process of inputting and analyzing data collected from organizations across Ontario.

Our solutions: OSLA recommends the government maintain and enhance funding to the preschool speech and language programs that have successfully rolled out across Ontario and also to children's treatment centres. OSLA also recommends restoring funding to CCACs as well as providing additional funding to address growth in order to restore access to and sufficiency of these speech-language pathology services. OSLA also requests the government ensure funding to hospitals and rehabilitation centres to enable them to maintain and enhance existing programs and to restore programs that have been reduced or eliminated.

In summary, OSLA is an organization committed to working with the government to ensure the most efficient, cost-effective and sustainable means of providing audiology and speech-language pathology services to Ontarians. OSLA believes the 2003 Ontario budget provides the government with an opportunity to consider input equally from a range of stakeholders, to set aside stakeholder beliefs about ownership of the funds, and to demonstrate fiscal responsibility without compromising its commitment to primary health care in Ontario. There is potential for substantial long-term benefits and savings to the system through direct and sufficient access to speech-language pathologists and audiologists. Their timely interventions can create savings by ensuring individuals of all ages, from infants to the elderly, can develop and participate to their full potential. Substantial long-term costs can be averted in the health, education, disability support, unemployment and mental health sectors and even in the correctional system. OSLA has endorsed a fully interdisciplinary model of primary care as one approach to ensuring timely and direct access to our professions as primary care providers.

We urge the government to adopt these solutions:

(1) Commit to reinstating constructive discussions regarding predictable funding alternatives for audiological services, earmarking funds to implement the proposals put forward by OSLA in July 2002 that would meet the consumers' need for accessible, quality audiology services while meeting the ministry's budgetary constraints.

(2) Consider OSLA's recommendations regarding appropriate funding and accountability standards to meet the communication needs of school-age children.

(3) Address funding constraints that have reduced or eliminated health care speech-language pathology services in hospitals and the community, and maintain and enhance successful early intervention speech-language and hearing initiatives.

(4) Adopt measures to ensure an adequate supply of speech-language pathologists to meet the needs of Ontarians.

(5) Ensure that primary care initiatives embrace a fully comprehensive multidisciplinary team that enables direct, cost-effective access to the right provider in the right place at the right time.

(6) Develop a process for obtaining input from all regulated health professionals before decisions on spending cuts are made.

In committing to these solutions, OSLA is confident that the government of Ontario will enhance the quality of health care in Ontario and ensure the sustainability of government expenditures in the area of audiology and speech-language pathology services.

Thank you for this opportunity to provide our input to this process. We'd be happy to answer any questions.

The Chair: There's about 30 seconds for each caucus to ask a question. We'll begin with the Liberal Party.

Mr Bartolucci: A very, very fast question: Joanne, the government made changes in August 2001 to save money to provide greater access of service etc, and for higher-trained professionals to be dealing with the general public. Have any of those been successful, with those changes?

Ms Querney: I believe the government has stated that the purpose of the changes in the OHIP billing situation was strictly to control costs; they were not to effect other changes.

Certainly, what has happened with billing for audiology in Ontario is that the system for funding audiology has been through OHIP, because when that was instituted a number of years back, there really was not audiology as a profession. As the profession has grown, that archaic model continues to be used to fund a service that is not physician-provided. General practice physicians have no training in audiology. Ear, nose and throat surgeons have a maximum of two weeks of training in audiology. As an audiologist, I require a minimum of seven years of university training, and many of us have or are working toward doctoral degrees, which is 10 years of university training. You can do the math and see there's a huge difference.

Physicians are trained—ear, nose and throat physicians in particular—to be ear, nose and throat surgeons, not audiologists. Our funding model has not kept up with that. It has forced us into poor practice patterns, and there is no funding available for audiology directly as a profession. That model, those changes, have not met the needs.

The Chair: We move to the NDP.

Mr Christopherson: Thank you for your presentation. I'm interested in what happened—on pages 4 and 5. In July 2000, the government brought in a regulation that corrected things for you, that—oh, wait, that created a problem. That regulation was overturned in August 2001, but they went back—I'm on the top of page 5.

1400

Ms Querney: Sorry, I don't have that document. Can you tell me what the regulation is? I'd be happy to speak about it.

Mr Christopherson: Sure. A "regulation implemented on July 1 ... stipulated DHTs delegated by physicians would only be reimbursed if performed by audiologists."

Ms Querney: Yes, I know what you're speaking of.

Mr Christopherson: "This regulation, however, was not only overturned in August 2001, but at that time the government also took the opportunity to further entrench the flawed system by committing to enforcement of"—

The Chair: The question?

Mr Christopherson: —and they added restrictions which caused more problems. You're saying here that some of these opened the door to funding services being provided by unregulated persons.

Ms Querney: Absolutely. Your mother can provide a hearing test in Ontario. The government did recognize that there were problems with unregulated people providing hearing testing. The prescription of a hearing aid is a controlled act; assessment of hearing is not. Anybody can hang up a shingle and test hearing.

The government, in its recognition that that was not acceptable, did insert a preamble to OHIP that said the government would only spend public dollars on hearing testing when it was provided by a qualified practitioner, which they defined as an audiologist or a physician.

Subsequent to advocacy through some of the physician committees, through the combined OHIP-OMA committee, the PSC, and some of the recommendations that have come about thereafter, the government rescinded that and then again said, "No, anybody can actually do a hearing test." They did retract that statement.

Mr Christopherson: It was broken, they fixed it and they broke it again.

The Chair: We move to the government side.

Mr O'Toole: I've met with the audiologists in my area. I am PA to the Minister of Health and am very familiar with the issue. I believe you're right: there are certain resource issues. The OHIP negotiations are going on now. You're right about that \$170 billing fee; it's duplicative and non-productive. We've got to find out

how to get you directly on it. Your profession has to continue to push and legitimize—everybody is up to standard and all those kinds of things.

The Chair: Question, please.

Mr O'Toole: The second part is on speech and language. My sister was in that profession for a number of years in education. When we introduced improvements to speech and language as part of the early childhood thing and put funding in, we found there weren't enough people to deliver it.

The Chair: Question, please.

Mr O'Toole: I guess my thing is that when the CCACs started to deliver it, they couldn't do it in the school because of some kind of workplace issue. How can we fix that problem where you, as a trained speech and language person, go into the school and can't do the job in the school?

The Chair: Answer, please, one of you.

Ms Peloso: One of the problems when they did that Bill 81 way back—I think that's what you're referring to—when Health took over some of the responsibilities of providing speech and language pathology services in the school so children didn't have to miss school to go out for appointments in hospitals and whatnot, it became a bit flawed when they tried to divide speech problems into organic and non-organic, or medically based versus non-medically based. But there is such an overlap between some of the speech problems and language and curriculum that that has muddled the waters with people coming in from CCAC agencies to provide some of the speech services in the schools and school board speech pathologists trying to provide the other services in the schools and differentiating between. So a CCAC speech pathologist would come in and work on a child with their articulation problems and another speech pathologist would come in and help that same child with their language problems because the CCAC professional isn't supposed to work on language. Those are some of the issues that are causing some concerns.

The Chair: That concludes your time. We appreciate your presentation and your challenge in trying to answer the questions. Thank you very much.

CHILDREN'S MENTAL HEALTH ONTARIO

The Chair: Our next presenter is here and has kindly consented to appear earlier than their scheduled time: the Children's Mental Health Ontario organization. If you would please step forward and give us your name for the purpose of Hansard. You have up to 20 minutes. Any time left over we'll use for questions. Welcome.

Ms Susan Nicholson: Susan Nicholson. I'm with the Child and Family Centre, and I'm representing Children's Mental Health Ontario.

Good mental health enables us to think clearly, feel confident and act purposefully as we face life's challenges. Like physical health, mental health is crucial at every stage in life.

Mental health problems in children and youth can occur in any family, in any community. These problems are devastating to families and costly to communities and the health care system. They can lead to school failure, family conflicts, drug abuse, violence or suicide.

Many of today's headline problems in children and youth—violence, bullying, suicide—are the result of mental health problems that have not been recognized. Early symptoms such as acting out, aggression, inability to concentrate, withdrawal or unrealistic fears are often seen as transient and go untreated. But children and youth with mental health problems need professional care from experts in this field. The good news is that when the right services are available, children's mental health problems can often be successfully treated, preventing more serious problems and more costly difficulties later in life.

According to the Canadian Journal of Psychiatry, 18% of children and youth in Ontario have a diagnosable mental health disorder, virtually the same rate of incidence as in adults. But a growing number of experts across North America are seeing increases in rates of emotional and behavioural illnesses in children. In Ontario, children's mental health professionals are saying that the incidence of mental health problems in children is reaching epidemic proportions. Every day, children show up in hospital emergency rooms or in the offices of mental health professionals, debilitated by depression and overwhelmed by anxiety. An intake worker at a children's mental health centre said recently, "We handle crises immediately, but we don't have services for the other children and families on our waiting lists."

Community-based children's mental health centres in Ontario have seen a 50% increase in waiting lists over the last year, rising from 8,000 to 12,000 children and families. We know that some of that increase can be attributed to a rising incidence of mental health problems. Another major factor in the increased number of people on the waiting list is the shortage of staff caused by inadequate funding. In addition, new policies affecting schools and children's aid societies have resulted in vastly increased numbers of referrals to children's mental health centres.

Roy Romanow, head of the Commission on the Future of Health Care in Canada, recently delivered his blueprint for revamping health care. His report acknowledged that mental health has often been an "orphaned or forgotten" program. Since 1993, the Ontario government's investment in core funding for children's mental health services has not only failed to keep pace with costs but has actually declined. In a typical children's mental health centre, a social worker with specialized training in children's mental health earns between 24% and 36% less than a comparable staff person in children's aid societies, hospitals and boards of education.

In 2000, the Ontario government invested \$20 million in a four-point plan targeted primarily to intensive services and crisis intervention. More recently, government invested an additional \$6.9 million for much-needed

mental health services for children under the age of seven. These are excellent investments and have resulted in more services for children. Meeting the objectives of these programs, however, has added to the already untenable pressure on the basic infrastructure that supports all children's mental health services.

Staff turnover in recent years has been as high as 40% in some centres, over 25% in many. The inability to recruit and keep skilled front-line staff and managers has led to a reduction in the services available to families. It has also resulted in tremendous waste of valuable knowledge and experience and a waste of the resources we spend on training as new staff need to be trained and retrained to replace those leaving for better-paying positions.

The biggest impact is on the children and families we serve. The high turnover rate means that children have two to three different workers during their treatment, and sometimes even more. Because of the nature of their illness, children with mental health problems have difficulty forging and maintaining relationships. A trusting relationship with a mental health worker, consistent over time, is often the key to their recovery. Lack of such consistency, caused by high rates of turnover, stresses the children and their families, impedes treatment progress, and increases the risks of recurrence or escalation of mental health problems.

Children's mental health infrastructure is being stretched too thin. We need a revitalization program if we are to hire, train and retain competent staff to provide the essential support to children with mental health needs.

1410

For some time now, we have been asking for \$50 million to stabilize and revitalize treatment programs across Ontario for children with mental health problems and their families. These funds would, most importantly, reduce the risk of long-term complications for many children with emotional and behavioural illnesses and provide relief to their families. The funding would be viewed by the sector as a major investment and an acknowledgement of the importance of children's mental health services.

We have met with many MPPs and government staff to discuss this issue and make the case for the \$50 million. Feedback has been favourable and the request is scheduled to go before Management Board soon, but we still don't have an answer. The need is urgent and growing for stable funding and planned increases in the foreseeable future in the children's mental health sector.

It is important that all children with mental health problems have access to the supports and treatment they need, as our provincial agency has advocated. Salary and staffing issues are one of our major concerns. As well, our northern communities have some very unique needs in terms of geographical distance and scarcity of resources. Our centre and our colleagues throughout the north are often the only support service to low-income families in need. We are the only resource they can

afford to call upon at a very vulnerable and difficult moment in their lives.

We are therefore asking you to bring this message to your colleagues at Queen's Park and to advocate for revitalization of children's mental health centres throughout this province by providing immediate and stable funding to meet the needs of these children and their families.

The Chair: Thanks, Ms Nicholson. That leaves us with about two and a half minutes per caucus.

Mr Christopherson: Thank you for your presentation. I was quite struck by the fact that you make the very strong statement—and when it comes from a professional like yourself, it carries a lot of weight—on page 2, "In Ontario, children's mental health professionals are saying that the incidence of mental health problems in children is reaching epidemic proportions." You then go on to say, "Community-based children's mental health centres in Ontario have seen a 50% increase in waiting lists over the last year...." You identify one of the major factors as the shortage of staff caused by inadequate funding. Then, down at the bottom of the page, you expand on that: "In a typical children's mental health centre, a social worker with specialized training in children's mental health earns between 24% and 36% less than a comparable staff person in children's aid societies, hospitals and boards of education."

You need to know that it drives Mr O'Toole absolutely crazy when he sees government announcements of new money and a large portion of that goes to staff. In his mind, I suppose that somehow that's not achieving the goal, and I'm thinking specifically of schools. He mentioned this about education: he wanted to see books bought and computers and hard assets, and left the impression, in my opinion, that money toward wages was thrown out the window, that it wasn't the same as money spent on real things for education.

I wonder if you could again expand on the damage; how not having enough money to pay people an adequate rate of pay translates into poor or non-existent services for, in this case, children, and how important it is for you to have the ability to pay people to attract enough and of the calibre that these services require.

Ms Nicholson: I'd like to speak to the north and specifically our problem in Sudbury. We provide services in the francophone sector and the aboriginal sector. To be able to attract those specialized individuals—typically, an agency such as ours is looking for individuals with a master's degree in social work to provide the proper training. We cannot compete with our counterparts. In other words, we're not able to attract those people. You have to realize that the service we provide is really people-oriented. Sure, we can provide the books, but it's the counselling, it's the face-to-face sessions and the qualified staff that really impact on the service delivery to those children and their families.

Mr Beaubien: Thank you very much for your presentation. I want to follow up on Mr Christopherson's point, maybe from a different perspective. We can talk

about salaries, shortage of staff, the lack of money and the turnover of staff, but I think there's something more serious happening with young people. We can talk about mental health, but I think we can also look at the physical health. There are all kinds of programs for obesity, smoking and drugs. There's a general malaise with young people. What's going on there? As a family, we raised three young children; they're adults now. But what's going on?

Mr O'Toole: What's happening?

Mr Beaubien: Yes, what's happening?

Mr O'Toole: We have five kids.

Ms Nicholson: I have two myself.

Mr Beaubien: What's happening in the north here, in Sudbury?

Ms Nicholson: Cases that we're seeing now have escalated from what we were seeing five years ago.

Mr Beaubien: Why?

Ms Nicholson: Society, lack of programs in the schools perhaps.

Mr Beaubien: What about parental responsibility, individual responsibility, lifestyle?

Ms Nicholson: A lot of what we do in mental health agencies is also to help the parents, trying to teach the parents to cope and train them in how to deal with these pressures and how to deal with the behaviour problems exhibited by their children. That's part of what we do as a mental health agency.

Mr Bartolucci: Thanks very much, Susan, for an excellent presentation. Certainly, being a parent at one of my schools, you were a wonderful individual when it came to co-operation and when it came to enhancing the quality of the school. You're doing that now in a very new way but under very difficult situations. Let me tell you, in answer to Mr Beaubien's question, that a lack of resources would probably be one of the predominant reasons we're seeing an increase.

You mentioned in your mandate that prevention and early intervention services are very important. Explain to the committee how that's changed over the course of the last seven years. Has funding decreased, has opportunity for programs been enhanced or decreased, and what type of difference would that make to the mental well-being of the people you serve?

Ms Nicholson: Over the last four years, we've had a change in the Making Services Work for People mandate by the ministry, and the focus has been on the essential cases. In other words, what we primarily are focusing on are the hard-to-serve cases, and these are latency-aged children, so they're already exhibiting these major behaviour and aggression problems.

If we had the funding to be able to provide the prevention programs to stop that—granted, we do have the zero to 6 mental health in the early years and of course that goes a long way to helping those. But from a mental health perspective, to be able to have those intensive programs at the early stage would actually go a long way to preventing those cases from becoming extreme cases where these kids end up in the young

offender facilities and costing us \$100,000 a year. When you compare that to the cost of providing mental health services, which run an average of \$2,000 to \$3,000 per child per year, I think that's an effective way of managing those problems. I don't know if I've answered your question.

Mr Bartolucci: Absolutely.

The Chair: Thank you very much, Ms Nicholson. We appreciate your input today.

CRASH 69

The Chair: Our next group is CRASH 69. While Mr Lougheed is coming forward, Rick, is your next project going to be CRASH 144?

Mr Bartolucci: It all depends on how CRASH 69 goes.

The Chair: Please state your name clearly for the record, sir.

Mr Gerry Lougheed Jr: My name is Gerry Lougheed Jr. I am the co-chair of the CRASH 69 committee, which stands for Community Rallying Against Substandard Highway 69. Our committee is co-chaired by Dr Gary Bota, a well-respected emergency physician and former director of the trauma unit at the Sudbury Regional Hospital. Committee members include local business and labour leaders and area residents who have suffered the loss of a family member on the highway.

1420

I would like to thank your committee for including CRASH 69 as a presenter today. We believe the upcoming budget is a crucial document to provide a credible funding envelope to improve Highway 69 or to prove the old proverb that the road to hell is paved with good intentions, and we know the hellish highway is called Highway 69.

This afternoon I would like to provide you with a brief history of the issues concerning Highway 69 and our recommendations for your budget deliberations. As people who have successfully sought public office, I hazard a guess that, regardless of your political stripe, your initial and hopefully ongoing motivation to be an MPP was your desire to help others, to provide leadership that improves the quality of life in your riding and to make a difference in a good and positive way.

In Sudbury, we are fortunate to have a leader with those qualities in the person of Rick Bartolucci, who started to lobby for a four-lane Highway 69 in 1979 when he served as an area councillor. He knew that Highway 69 is the umbilical cord between northern and southern Ontario. He knew that to develop northern industry and businesses, a safer, more efficient highway had to be built. When he was elected as MPP in 1995, he continued his efforts in lobbying the government on this issue, soliciting over 14,000 postcards from Sudbury in his "Highway 69 Worth the Investment" campaign, again emphasizing the need for a road which encourages economic investments. Last year, Mr Bartolucci secured the support of the Ontario Chamber of Commerce,

representing 56,000 members through 156 chambers and boards of trade, in the campaign to widen the road because it makes good economic sense. In his research, he was able to document that Highway 69 is an antiquated highway which Bill Davis's government in 1974 knew needed attention.

Highway 69 was built over 40 years ago, when recreational traffic was much lighter and when most goods were transported to and from the area by rail. When rail transport began to diminish, the number of transport trucks on the highway increased and has continued to do so ever since. To respond to the growing use of transport trucks, the province of Ontario changed laws so that these commercial vehicles could carry heavier loads. The allowable length of a transport truck was increased as well. This meant more transports on the road with heavier weights; heavier loads, less handling of the trucks. The road is literally one designed in and for a bygone era and is not reflective of today's transportation dynamics.

In January 2002, in the course of his research, Bartolucci discovered that in the early 1970s the Ontario government completed two environmental and feasibility studies that could be used today to greatly expedite the multi-laning of the highway. The 1974 study concluded:

"Ministry studies indicate that the existing Highway 69 route in the study area does not have sufficient capacity to serve transportation demands over the next 20 years. This conclusion is based on the premise that the movement of goods and people will continue to increase along projected growth trends.... Such growth can be expected to place greater demands on this route, and ministry studies indicate that a ... highway of the divided type will be required in the future to solve transportation problems in the study area."

Mr Bartolucci's efforts continued to create a community awareness and critical mass of people who wanted the road multi-laned. To date, 28,000 petition signatures, 7,645 electronic signatures and 11,000 bumper stickers document the community's commitment to this cause.

I believe Rick's leadership embodies what is good and right about your work as MPPs. I am sure by now, and I know by the conversation around the table, that Messrs Spina, Arnott, Beaubien, Christopherson, O'Toole and Sampson are thinking this is a totally inappropriate testimony by a friend and supporter of Rick Bartolucci.

Mr O'Toole: Campaign chair.

Mr Lougheed: Not yet.

You might even conclude, "We're not even listening." But then, I forgot to tell you what I do for a living. I am an undertaker.

My work environment is a place of sadness. I have been a funeral director for over 25 years. In fact, under Mr Davis's government, I was appointed the chair of the Board of Funeral Services for the then Minister of Health, Larry Grossman. I try to help bereaved people, whether listening to their stories of life and death or

providing information that helps answer the question, "What happens next?"

Last summer I felt professionally and personally inadequate. I sat in my office with a man named Bob. He was the father and grandfather of Kelly, Jordan and Corbin, who were all killed in an accident on Highway 69 at the Killarney turnoff. He tells the story of how Kelly and her boys had spent a wonderful few days with him and his dear wife, whom he fondly calls "Mother." He talks of canoe trips and barbecues. His voice decreases and tears increase as he explains that Kelly had to go back to work the next day and had said, "I had better get going; I'll be doing laundry till one in the morning." Kelly, Jordan and Corbin kissed him and his wife and started back to Sudbury, likely the same time a transport truck, unfamiliar with the road, would be passing through McFarlane Lake, south of the Sudbury city limits.

I'm sure that, like all moms, who love their kids, Kelly's car was full of conversation about the great days spent with Grandma and Granddad. As she and her twin boys, one passionate about basketball, the other passionate about hockey, navigated the curve, the transport truck did not. The rig crossed the road and they were killed. They did nothing wrong. There were no adverse weather conditions, no errant wildlife, no reckless risk-taking. Kelly and her sons were going home to do laundry, go to work and play some baseball. This accident is wrong. Bob and his supportive son Ron should not have been in my office.

This accident happened because the road is wrong. It is wrong in its design according to professional truck drivers. The greater wrong is that 49 people have died on this highway since 1999. Once upon a time, partisan voices—and maybe that was the mumbling around the table—could say that Highway 69 was four-laned to Honey Harbour because then-Premier Bill Davis had a cottage in that area or that four-laning continued to Parry Sound because now-Premier Ernie Eves was Treasurer.

Now the issue is way beyond partisan politics. It's all about people, people who drive in their cars with their kids from their parents' camp to do laundry and to go back to work. I believe the Ontario government should immediately correct this curve and four-lane from the Killarney turnoff to the adjacent hill. Such a commitment would acknowledge the tragedy and create a lasting legacy to Kelly and her boys and prevent another accident. It was then that I joined Rick's campaign for action in expediting this paving project. If anyone at this table or outside this table thinks it's about politics, I invite them to come to my office and to speak to Bob, because I think you might get a whole different take on exactly what the debate is about. My reason for coming here today is to make sure rhetoric becomes reality. You have the ability to translate promises into pavement and promises into policing.

To date, CRASH 69 has met with Allan Rock regarding his support for the project. When you asked me about chairing a campaign, I also sat on the Prime Minister's national forum on health. I had the opportunity

through Mr Rock under his Ministry of Health portfolio, and through that friendship was able to access a meeting with him to discuss this project. I can tell you, Mr O'Toole, that Mr Rock is very keen about this project, as is Mr Mitchell, who as you know is the cabinet representative for that particular area of Ontario.

CRASH 69 has met with the Robinson Huron Treaty First Nations, who unanimously have supported this project. They have appointed Chief John Beaucage from the Parry Sound area to sit on the committee. Someone in the House, and I'm not sure who, made the comment that the delay in the paving was because of the First Nations people. Trust me: Chief Beaucage and his fellow chiefs take exception to that comment and in fact are quite prepared to negotiate and expedite any timelines to make the paving a reality.

CRASH 69 has secured flashing lights and improved shoulder conditions at the treacherous Killarney turnoff that I made reference to in the Kelly, Jordan and Corbin story.

CRASH 69 has received the financial support of many labour groups which have sponsored 20 billboards that will be erected next month to embark on a "From Promise to Pavement" campaign.

Some CRASH 69 committee members, myself included, attended the Premier's press conference in November, during which he pledged \$1 billion to four-lane Highway 69 over the next 10 years. Ten years will include at least two general elections in Ontario and a decade of annual budgets. We need your committee to show us the money in this budget. We want you to include three items in the budget: first, at least \$75 million in a 2003-04 budget to match federal monies which are available. Yesterday I spoke with Allan Rock's office and I know these monies are available under the Canadian strategic infrastructure fund or Mr Collenette's strategic highways infrastructure program. I also know the Ontario government has included Highway 69 on its wish list of priorities for highways to be discussed and negotiated. So we want Ontario's share committed in this budget.

1430

Second, CRASH 69 unanimously supports the Robinson Huron First Nations' request for three more police officers, at an approximate cost of \$500,000. We are writing to Mr Tsubouchi to encourage this long-overdue need for increased police services in First Nations communities. As you're likely aware, First Nations officers can ticket on provincial highways, and they would also be able to secure police services in First Nations' properties so the OPP do not necessarily have to be on the property and can stay on the corridor.

Third, we would ask that your committee communicate with OPP Commissioner Gwen Boniface on increasing the number of officers and cruisers in the Highway 69 corridor. It is unacceptable to pretend that there is sufficient policing by paying overtime on holiday weekends. A short-term solution to reduce the traffic

tragedies would be a daily commitment to a proper police presence on Highway 69.

In summary, the tragic legacy of Highway 69 is well documented. The political leaders, by the way, of all your respective parties have promised action about this asphalt. We now need your commitment to translate their rhetoric into a budget reality.

We do not want a re-announcement of monies earmarked for the 20 kilometres south of Sudbury that the Premier announced at his press conference in November. That money is in this budget, not the next budget. We want new money in your budget recommendations in order to leverage new federal monies to pave at least an additional 50 kilometres in the fiscal year 2003-04. We do not want to hear the platitudes and promises about police in speeches; we want to see them stopping speeders on Highway 69.

I close, aware that your committee has a very important task in striking a budget which likely will be scrutinized and debated during the upcoming election.

In 1896, a politician from Montana by the name of Charles Hartman said, "It is true that the populist party has a number of different remedies for the situation. And I am advised that they are about to add three additional planks to their platform. One of them is to make a cross between the lightning bug and the honeybee for the purpose of enabling the bee to work at night; another, that of breeding the centipede with the hog for the purpose of having a hundred hams to each animal; and I am told they have a further visionary scheme of budding strawberries into milkweeds, so that everybody can have strawberries and cream from the same plant."

Today, people, please do not have an updated version of that statement to be someone's election platform, which would include breeding nuisance bears with nuisance beavers to have a creature that can build a road and give speeding tickets. CRASH 69 does not want any more promises; we want pavement and we want policing.

The Chair: That leaves us with just about five minutes. For the record, there are two of us sitting up here, myself and Mr Johnston, who were born and raised in Sault Ste Marie and have travelled that road for 30 years anyway.

Mr Loughheed: Do you know what, Joe? You'd be very pleased to know that the first group to sign on was the Soo city council. You know that everybody is pretty territorial about where money should go, and Soo city council actually said, "Pave 69."

The Chair: Didn't John Rhodes start it? Anyway, I'm sorry, I'm taking up committee time. We begin with the government.

Mr Beaubien: Thank you very much for your unbiased presentation. I must admit that once I have a discussion and Mr O'Toole has a discussion with me, that's our time.

With regard to Highway 69—

Mr Loughheed: Thank you for the correction.

Mr Beaubien: I didn't interrupt you when you made your presentation.

Mr Loughheed: You were interrupting me.

Mr Beaubien: You mention that in 1974, Bill Davis knew that the road needed attention—I do agree with you—and you mention this is going to be an issue in the upcoming election. I would also like to point out to you that I do have roads in my constituency that need attention, where people have lost their lives. I know what it's all about. We almost lost a son last year. His accident was not his fault. Any accident is tragic. So just to zero in on one particular aspect of the province—I share your concern, but there are other concerns in the province of Ontario. That's all I have to say.

Mr Loughheed: Sir, your Premier has committed \$1 billion in 10 years. That commitment is on the record by Mr Eves. I've had a long relationship with Mr Eves, because he was one of the strongest supporters of getting the cancer centre here in northeastern Ontario. I believe if Mr Eves says something, he's going to do it, but he needs these commitments to be shown to the people of Ontario within this budget.

I totally agree with you. In fact, we actually have people on Highway 17 who are quite inspired by what we're doing on Highway 69 and who have asked how they'd form a committee to lobby for effective roads too. So in your area, I would certainly hope people would say, "Look, if they can do that on Highway 69, maybe they can do it in Mr Beaubien's riding as well."

The Chair: We move to the government bench—sorry, to the official opposition.

Mr Bartolucci: The government bench? That's a Freudian slip.

Mr Loughheed: I'd be in favour of that.

Mr Bartolucci: I hardly think that should be called the Bartolucci Highway. I would much rather it be called after any number of the people who have tragically died on that road because they chose to ride on an inferior highway.

Thank you very much, Gerry, for an excellent presentation. Just for the record, I didn't write the speech but I thank you for it.

It certainly has been a community effort. When we talk about CRASH, the words are about citizens and a community rallying against an inferior highway.

What I think the committee should know is clearly what the expectations of CRASH 69 are with regard to this budget. How much money does CRASH 69 want allocated specifically for Highway 69?

Mr Loughheed: Minimally, in terms of the pavement issue, \$75 million, because as you know the feds will have that \$75 million. In fact, if the province wants to take a leadership role and have more than \$75 million, I think those negotiations with Ottawa are open for beyond \$75 million. But I also know there are great pressures on the budget, so if you can get \$75 million, I would think that's a minimum.

Chief Beaucage tells us that for each police officer who is hired, it's \$180,000, so that's why the half million dollars with regard to the First Nations policing, which as

you know would be negotiated at the federal level as well with the province.

In the last area, last weekend I met with Chief Superintendent Carson Fougere, who represents north-eastern Ontario for the OPP, and he's prepared to have a meeting with us to discuss the need for the budget to be increased on the Highway 69 corridor. That's why I ask you to talk to Gwen Boniface, because I think those are ongoing negotiations.

So a minimum of \$75 million, half a million for the First Nations police officers and then I think an appropriate allotment within the OPP negotiations.

The Chair: We move to the NDP.

Mr Christopherson: Thank you for your presentation. We might, tongue in cheek, kid a bit about some of the over-the-top words about any of this, such as what you did, but I don't think anybody here is not taking seriously the fact that we're talking life and death. To be fair to Mr Beaubien, we do have other life-and-death issues that come in front of us, and trying to set that priority, regardless of what party you come from, is part of the internal moral struggle that everyone who has a say in the budget development goes through.

Having said that, you're also a small business person. You run your own business—or a family business, perhaps. Given the importance of life-and-death issues—homelessness; we've just heard presentations about children's mental health, where their lives are at risk—given the need to pay for all those things, as a small business person, do you think that in order to pay for these things, these life-and-death issues, we, if need be, should be prepared to forgo any planned tax cuts and indeed roll back any if necessary to find the money to save lives?

Mr Loughheed: You likely couldn't ask a better person in Ontario that question, David, because I am the chair of the Heart and Soul Campaign, which is building the regional hospital, the cancer centre and the long-term-care facilities. I'm very familiar with the issue of the need for dollars in health care and social justice issues. Last week I got a speaking fee in Ottawa so that I could get a down payment of \$5,000 to service a lot in Azilda so that Habitat for Humanity can build a home for a needy family. I have a tremendous social justice conscience, and I very much understand what you're asking me.

I thought the most expensive \$200 I ever got in my life was a cheque from the Ontario government. That money should have stayed in the system to help those in need and also to help the quality of health care and education in the system. I don't think we should be trading off things. Ontario is a very rich province. There are very bright people who can run this province and, I believe, can meet the needs. So I don't think it's a matter—my brother runs the food bank. The food bank has a permanent building. Why?

The Chair: That concludes our time. Thank you, Mr Loughheed. We appreciate it.

The Ontario Trails Council is due at 3 o'clock, and not all the members are here. They've asked us to defer. So the committee will recess until 3 pm, at which time we will return.

The committee recessed from 1440 to 1501.

ONTARIO TRAILS COUNCIL

The Chair: We resume the committee. Our delegation is the Ontario Trails Council. Please be kind enough, when you speak, to state your names for the purpose of the record. You have up to 20 minutes; at the end of your presentation, any time left over will be used for questions and answers. Welcome.

Mr Patrick Connor: Thank you very much, Mr Spina. I'd like to thank the committee on behalf of the member organizations of the Ontario Trails Council. My name is Patrick Connor; I am the executive director of the Ontario Trails Council. Carol McIsaac is president and chair of the Ontario Trails Council; she is also an avid trails rider. John Broderick is also a member of the Ontario Trails Council; he is here today representing the Ontario Federation of All Terrain Vehicle Clubs. Ian Wood is also a board member of Ontario Trails Council and works with tourism and economics here in Sudbury; he is with a local trails organization called Rainbow Routes.

There are a number of reasons we're here today. Many of them are partly educational, but more importantly, trails in Ontario are facing some pretty significant needs. Historically, trails are a non-government-supported industry. Trails in Ontario, of which there are about some 60,000 to 65,000, are facing unprecedented pressures. Trails and trails organizations are entirely based on a voluntary sector, run, by and large, by non-profits or charitable organizations and staffed predominantly by volunteers.

Trails are used by about five million people in the province, and we are tabling here today an economic brief for your consideration that details some of the issues that are facing trails. In our analysis, and in terms of some of the studies, we estimate that trails represent a \$2.5-billion economy to the province and throughout communities. Trails are well represented in every community throughout the province. They provide health, peace of mind and recreational activity; they have certain economic impacts; and they operate in rural and urban landscapes. What we're looking for from the finance committee is some consideration in terms of the allocation of financial resources in two of four specific areas: basically a support system for trails and trail infrastructures; and our trails organizations, because they are non-profit, are facing unprecedented insurance pressures never before seen. So we are looking for some short-term crisis cash influx. In appendix II of the economic brief, we lay out what we're looking for: somewhere between \$8 million and \$8.5 million, which we don't think is unreasonable, given a \$2.5-billion industry.

Perhaps Carol would like to offer a little bit of insight in terms of trails and their history and what they mean to the province.

Ms Carol McIsaac: Historically, trails have had a rather big impact for our province. It is not uncommon to be able to go out, whether you're young or old, healthy or handicapped, and be able to appreciate the beauty of a trail. In the past, horses and wagons predominated and basically started the routes. That's how trails and roadways and such went in. I won't bore you with too much history on how trail widths and such came about. It is now predominantly a way of linking communities. Our local group—I am with the Uthoff Trail; one of the many hats I wear, besides being the equine representative for the province, is that I also sit on the Uthoff Trail group. The Uthoff Trail links two communities, Orillia and Coldwater. It's 25-kilometre trail and it allows people from both communities to sort of meet halfway or to cycle from one end and have lunch at the other and then cycle home.

A lot of communities are doing that. Simcoe county is starting to become a pretty good hotbed, I guess you could say, for trails, because we're working on having an entire loop so you can tour and see the entire county. But it is hard for the local groups to maintain their trails with the insurance crisis and such like that we're having right now, because a lot of our user groups are experiencing major price upheavals in insurance. Because we're volunteer-based, most trail and local organizations are trying to become sustainable on their own. Uthoff Trail is one of the very few trails in the province that has become successful at that, because we're very good at raising funds. It could be because of the type of committee behind that, but not everyone has the doctors and lawyers who can take the time to become trail committee people and bring money on to the trails as successfully as they do.

The other trails we have in the province that have the farmers and the other backgrounds—I shouldn't knock the farmers, because I am one—don't have the cash influx that some of ours do. And in the northern parts of our province, because the towns are so far apart, you're drawing from a very small volunteer base. Basically, what historically happens is that you end up with a lot of gaps in trails. To unite the province and have a good trails system, we need to find some method to stop the gaps.

When the Trans Canada Trail water relay went through a couple of years ago, it really helped unite the province and it started another resurgence in trails, because people got excited about the Trans Canada Trail project. But it's only 65% complete here in Ontario. There are still a lot of gaps where the water relay did use water. It is sad to see, since we have the resources—we have the abandoned rail lines, we have the roadways. Why can't we just pick up and use them as trails for everyone? But there we run into problems such as land ownership.

That's where trails as business comes in. There's a model project that I'll let John speak more on, the Elliott Lake ATV project that has been going. I'll give John a moment in a bit to explain what's happening with the Elliott Lake community there. Since it's ATV, it's his bailiwick. If you want to know about horses, I'm the girl, but the motorized I don't do. I do everything else on the trail but motorized stuff.

Mr John Broderick: We're working on that.

Ms McIsaac: It has happened and it will happen again. I'm totally under the impression that we can all go out there, share a trail and get along.

The Trails Council represents all the trails users: the dogsledders, the snowmobilers, the hikers, the cyclists, the canoeists. You name it, we have them on our board. We're looking to provide the government with a unified voice saying, "We have everyone represented on our board, so if you give us the lead we can strategically join you and help you help us get a trails policy in place that will help the implementation and building of trails so that everything is uniform."

1510

There are single-use trails. Hikers love their single-use trails, and there's nothing wrong with the single-use trail. I support that fully, because there are places the hikers and the snowmobilers go that I wouldn't consider going. But there are also the public-use, shared multi-use trails, and multi-use trails are basically what we're really trying to represent, push and get moving forward. Our biggest problem in trying to take this movement forward is that when we come to speak to government officials for grants and things like that, we have very many doors to knock on. It would be much easier for us to have a lead minister to look after us. That would make me very happy.

John, would you like to say a few words on the Elliott Lake project?

Mr Broderick: And ATVs in general. At the inception of the pilot project in Elliot Lake, we had 27 clubs in the province. We currently have 22. That tells a story in itself. At the inception, we had a third-party liability policy. It cost the federation roughly \$30,000 a year. For quite a period of time not only was it unfeasible for us to buy third-party liability; we just couldn't buy it, period. It wasn't on the market.

We've seen what has happened in snowmobiling in the last two years, where it went from \$300,000 to over \$3 million. If that continues, it's going to be tough on snowmobiling, for that matter.

We are a new organization. We didn't have the resources that the snowmobiling community had to draw on, so it was pretty tough for a lot of our clubs and we lost a few of them because of it.

Getting back to the Elliott Lake pilot project, it's about half way through its initial phase. The intent there was to build a model to show how the economic benefits of ATVs impact a community. To date, it's moving along at a good pace—it has had a few hiccups—and we hope to move that into other communities in the near future.

Right now, however, the insurance issue is our major stumbling block for it.

Mr Connor: The fundamental problem with the insurance that is we have no particular government department that we can go to. There's no funded process for strategically assessing, there's no strategic planning process for the development and implementation of trails or for the discussion of issues that really are putting this economy at risk.

In order for us to effectively discuss trail implementation, trail issues, in order for us to provide some consensus in bringing the insurance industry to the table so that we can discuss the viability of this tourist economy, we need the support of government to help us get there, because as underfunded, non-governmental organizations, we just aren't capable of doing it.

There are some documents in the appendix that speak to the development of a trails policy and the development of a trails institute. The value that trails provide to the economy has been very well studied, as has the love that Ontarians have for them. It flows with every demographic, as Carol was saying, and we've seen a real growth in terms of urban trails, park-to-park trails, municipal and others.

If you could just take a brief look at appendix 1, which is the coloured map, which we've also put up on the back here, it actually represents some 250 organizations that are in all the 12 tourist regions, representing hikers, equestrians, cyclists, canoeists, dogsledders. Roughly 1,000 kilometres of trail equates to 1,000 jobs, so when these organizations can't get insurance, you're really looking at the livelihood of many persons along the trail being put at risk. So again, we are looking to develop some relationships with a lead ministry.

Currently there are nine different provincial ministries that are involved in trails and trails operations, and there are over 18 pieces of legislation that govern, from conservancy laws to the Line Fences Act to the Occupiers' Liability Act. So without a strategic think tank, we really don't have anywhere to go. We need some of this legislation amended specifically so that landowners who are at risk of recreational trails use currently, will not be. We're also looking for some changes in terms of the way contingency lawsuits can take place, the way that proportional liability can be assigned.

As you can see, we cover so many wide and complex areas that, really, we need a well-funded process so that we can sit down and discuss our issues with the government, because there are so many ministries that are interested in what we do and people from every political stripe. Carol?

Ms McIsaac: I'll use my riding instructor voice.

The Chair: Hopefully the microphone will pick you up.

Ms McIsaac: OK. I'll quickly go across. I know yours are quite small, but the little blue squares represent members of the Ontario Trails Council, versus the other colours, which are people we are still to draw in. It has

been broken into the 12 tourist regions, as Patrick has mentioned.

The Chair: Carol, I'm going to have to ask you to either come closer to the microphone or find another method, because it's not picking you up clearly.

Ms McIsaac: OK.

Then it goes into trail-user organizations, breaking it into user groups and then showing which user group is in what area, and then from the user groups serving regional councils. We're finding it is a much easier way of governance, and having membership on the OTC board, if each region is represented. You get to know the regions' needs, wants and desires, because what the Dundas Valley Conservation Area needs in the south isn't necessarily going to be the same thing that Ian needs here in the north. Primarily in the south right now the Line Fences Act is a problem that a lot of the southern trails are dealing with because of ownership issues, and the Trespass to Property Act. We're getting e-mails daily in the OTC office asking, "What can we do? How can we do this?" In the north we have the distance as a barrier, but it does show that there are folks up here. We just need to find a few more of them and get them on to the map.

We found when we produced this document that there were more connections with the communities across the province than we were totally aware of. It's one thing to be a provincial advocacy group, but when you actually see the memberships and the people who are buying into the trails council and working in the trails movement, it lets you know that people really are interested and really do care.

The Chair: Is that it?

1520

Mr Ian Wood: If I can just give you a quick northern perspective, I got involved in trails as the economic development officer for the town of Walden, which was one of the municipalities that is now part of the city of greater Sudbury. We saw trails as an economic development tool and continue to, even as a larger city.

I work with a volunteer group called the Rainbow Routes Association, which is a local group that seeks to develop trails.

I can talk about two things the current government has supported. We had a workshop two years ago called the Trails North workshop that was supported by the Ministry of Northern Development and Mines, which brought people from across the north. It was the first time we were ever able to get people from right across the north to talk about recreational trails and how those could come together. That produced a report which spoke to the same things we're speaking to you about today, which is the need to have a single ministry, a single clearing house, for us to go to on the provincial level. And certainly I should recognize the heritage fund's commitment to the northern trails program over the last two years, which has provided significant dollars for capital infusion to create trails. Again, it was almost too big a program for the capabilities, the infrastructure, of the

volunteer groups that have been out there trying to implement it, and we are implementing it. I think it will have a big impact for us. But again, it speaks to the capacity building that needs to happen.

The Chair: Thank you very much. That constitutes your full 20 minutes. We appreciate the input. I'm sure the committee will take this into account. For the purpose of the committee, there has been a cabinet minute struck under the Ministry of Tourism and Recreation to try to address this issue under Minister Klees. At this point, its organizational structure is still not confirmed. That's all I can tell you at this point. Thank you for your presentation.

MUNICIPALITY OF WEST NIPISSING

The Chair: Our last presenter this afternoon is the municipality of West Nipissing, who were not scheduled till 3:40. However, they are here and are prepared to go at 3:20, so we'd ask them to please come forward.

You'll have 20 minutes. Any time left over from your presentation will be used for questions. Please state your names clearly for the record. Welcome. Thank you for making it, because I'm sure coming from Sturgeon wasn't a nice drive.

Ms Joanne Savage: Thank you for the warm greeting. My name is Joanne Savage. I'm a councillor with the municipality of West Nipissing.

Ms Lise Sénécal: My name is Lise Sénécal. I'm also a councillor for West Nipissing.

Ms Savage: The ride was treacherous. I've had to wait here upstairs for two hours, but at least I'm relaxed.

I'd like to start off by saying thank you for the opportunity, for listening to us. We were fortunate, through our provincial MPP, David Ramsay, to be aware that this session was going on and to be provided the opportunity to present to you something that we really have at heart and an issue that is critical in West Nipissing. The issue pertains to the lack of funding for long-term-care services for our seniors.

We are a newly amalgamated municipality since 1999, grouping five former incorporated areas along with 17.5 unincorporated areas. For those who don't know West Nipissing, we are located between Sudbury and North Bay. Our population consists of a total of 13,114 residents. The geography exceeds slightly over 800 kilometres.

West Nipissing is and has been acknowledged by the Ministry of Health as a hot spot because of its aging population and the process that's presently utilized by the province of Ontario to allocate long-term-care beds and services to our seniors. Out of the 13,114 residents that we have in West Nipissing, 860 residents are seniors aged 75 or older. The number of seniors over the age of 65 exceeds 2,000. These statistics were gathered from the 2001 census.

According to the census of 2001, the number of seniors we will have in West Nipissing who will be age

65 or more will exceed 3,000 within the next eight years. Therefore, we do have to act now.

The funding formula of the province of Ontario for long-term-care beds is based on a universal formula across the province which does not meet the needs of long-term care to our seniors in West Nipissing. There is nothing more critical than when you see seniors who were born and raised in our community, who invested in their community, were established, raised their family, and now that they require long-term care—not by choice but by need—they are being moved away from their home, moved away from their families, from their roots, and being placed in nursing homes outside their community.

Presently, the actual formula identifies that West Nipissing is over-funded for long-term-care beds. Why? Because the allocation of beds for long-term care is as follows: for every 1,000 people over age 75, 100 beds are funded. The formula does not take into account seniors from 65 to 74. Needless to say, these people, even though they're 65 to 74, also require long-term care.

At Au Chateau Home for the Aged, the nursing home we have in West Nipissing—we only have one—29 of the seniors are under 75 and require long-term-care service.

We also have many residents of West Nipissing who are not 75 nor 65—they are less than 65 years old—but because of serious illnesses such as Huntington's, cystic fibrosis, Alzheimer's, require long-term care. But the formula does not take this into consideration. As a result, what we see now and have been seeing for the last few years is that more and more of our seniors are being moved out of their community. Being at an age when they are fragile as to their state of health, this is very critical for their well-being. We've had seniors, because of this deployment, who were not able to bear it and passed away.

Seventy per cent of the population in West Nipissing is francophone, but we have a higher number of francophones among our seniors. A high percentage of our seniors are also unilingual: either they speak only French or they speak only English. Try to visualize having a loved one placed in a nursing home where they would not be able to communicate their needs and who, being away from their family members, would have to rely on the services—I'm not criticizing the professional level of those providing the actual care or saying that the institution does not operate efficiently, but just that they are not able to communicate. It has always been identified as an issue that possibly could be challenged to the Human Rights Commission.

At this point, we have 64 residents on a waiting list for our nursing home. Ironically, we are basically telling them, "Wait until someone dies, and then there will be a bed. If there aren't enough seniors dying, then guess what? You'll have to move outside the boundaries of your community." This is really unacceptable and unfair treatment to our seniors. I personally don't think any level of government can visualize these people as or

make them feel they are a burden to society, not after investing everything they have and all the good deeds they have done.

1530

What's really ironic as well is that we've had a lot of contact with different people in the Ministry of Health. Some nursing homes have difficulty achieving 100% occupancy of their beds. It's ironic that in West Nipissing it's the opposite: the demand exceeds the supply.

In 2001, the Ministry of Health, after being made aware of numerous complaints, agreed that West Nipissing was a hot spot; therefore, they allocated six interim beds. The only place these interim beds could be hosted was at the West Nipissing General Hospital. Since those beds were introduced at West Nipissing, they have been occupied every day. We've had one senior lying in one of those beds in excess of 800 days while waiting for a long-term-care bed in our nursing home. We're advised that these interim beds will be removed at the end of March; therefore, it's start decommissioning these beds, start moving around our seniors, find them a place, because they are not capable of moving back home.

After communicating—the hospital, the community and even the municipality—to the Ministry of Health, we were fortunate to be provided with an extension. We were told there would be an additional six months provided. But at the end of the day, this is only a Band-Aid solution. Whether we decommission the beds now or do that five months from now, the end result will be the same.

In 2002, the Ministry of Health allocated 20,000 new long-term-care beds across the province. West Nipissing was not one of those provided. Even worse, in 2003 we find out that these six interim beds are being removed.

I have a hard time accepting the fact that we are tampering with the fragile state of health of our seniors. They are not in these beds by choice but by need.

I had a phone call from a resident of West Nipissing at the beginning of this week, a lady. She had difficulty speaking to me on the phone. She was in tears, devastated. Her mother was in one of those six interim beds, and the family opted to provide her with a bed that became available in a nursing home outside our community. Her mother is going through a major depression. She is scared that this can cost her mother her life. She was asking me, "Joanne, should I bring my mother back to one of these interim beds, since the hospital has made me aware that there has been an extension? If I do that, maybe my mother is going to be better. But what happens to my mom in September? Where does she go in September? She won't be able to survive another move."

We are here today to request that the six interim beds remain in West Nipissing until permanent solutions are in place. We are requesting that adequate funding be provided toward long-term care.

One of the issues the government of Ontario can look at would be decreasing the age factor in their formula from 75 to 65. That would make a difference for West

Nipissing. They should also take into account residents with serious illnesses.

The government of Ontario should ensure that there is a task force in place for areas that are designated as hot spots and that they initiate a process of identifying permanent solutions. Additional funding to community care access centres should also be looked at, because one of the solutions also would be to assist our seniors to remain home for a longer period. Even subsidizing retirement homes could be a long-term solution.

We trust that this government or the next government will consider this a critical issue for the well-being of our people.

We, councillors of West Nipissing, along with the residents of West Nipissing, will not lay the issue to rest until something is done. The first step would be to provide West Nipissing with these six interim beds on a permanent basis.

Ms Sénécal: Usually I talk more than her. Today she proved me wrong.

J'aimerais faire un bref sommaire de cette présentation dans notre langue maternelle, qui est le français.

La municipalité de Nipissing Ouest reconnaît depuis des années déjà le besoin urgent d'adresser les soins à long terme dans notre communauté. À maintes reprises, le conseil municipal a soulevé le problème avec notre gouvernement provincial, soit par lettres de support, résolutions etc, sans vraiment réussir à aller de l'avant, et même parfois il y semblerait perdre du terrain au lieu d'en gagner. Présentement, la menace de nous enlever nos six lits intérim à notre hôpital général de Nipissing Ouest renforce fortement le besoin de réagir et de demander à notre gouvernement, présent ou prochain, de réagir immédiatement.

Nous devons, comme citoyens et citoyennes canadiens, nous demander les questions suivantes :

Est-ce un privilège d'accéder à des soins à long terme, ou est-ce un droit ?

Est-ce un privilège de vouloir demeurer dans un environnement où nous sommes nés, où nous avons grandi, travaillé et fondé notre famille, ou est-ce un droit ?

Est-ce un privilège de vouloir se faire servir dans notre langue maternelle, ou est-ce un droit ?

Est-ce un privilège de vouloir mourir avec dignité et entouré de notre famille et de nos amis, ou est-ce un droit ?

Il faut surtout se rappeler que vieillir n'est pas une maladie, mais un processus auquel nous tous ferons face à un temps ou autre. Directement ou indirectement, cette cause nous affecte personnellement et continuera de nous affliger dans le futur.

Ce que nous demandons présentement au nom de tous les résidents et résidentes de la municipalité de Nipissing Ouest, c'est que notre gouvernement provincial prenne, sans plus tarder, les actions suivantes :

Garder en permanence les lits à notre hôpital général de Nipissing Ouest jusqu'à ce que des solutions plus permanentes soient mises en place. Imaginer l'apaise-

ment que cette décision apportera aux personnes utilisant les lits présentement et à leur famille.

Structurer un comité stratégique avec les gens clés de notre municipalité afin de pouvoir développer des solutions à long terme qui satisferont les besoins spécifiques de notre communauté.

Réévaluer la formule utilisée pour allouer les lits et faire les ajustements nécessaires pour assurer une flexibilité qui saurait voir aux besoins de notre population vieillissante.

Réviser la formule présentement utilisée pour évaluer le niveau de services, et s'assurer d'une distribution plus équitable dans nos foyers.

Enfin, s'assurer de remplir l'engagement fait en 1998 par ce gouvernement d'investir 551,8 \$ millions pour les soins à long terme. Si on se base sur les derniers calculs, il resterait quelque 257 \$ millions qui pourraient être répartis et alloués pour les soins à long terme dans nos communautés sous-subventionnées, telles que la nôtre, Nipissing Ouest.

Aux représentants qui siègent présentement et qui sont assis autour de cette table, représentants de notre gouvernement présent : j'espère que vous vous ferez notre porte-parole à notre gouvernement pour apporter nos concerns. Et aux représentants qui siègent autour de cette table aujourd'hui et qui siègeront peut-être sur notre prochain gouvernement, je demande la même chose.

Je vous remercie sincèrement et j'espère que vous porterez à coeur notre demande, ou nos concerns. Merci.

The Vice-Chair: Merci beaucoup. Thank you very much. We have time for a brief question from each caucus.

Mr Kwinter: Thank you very much for your presentation. Could you tell me, when the last call for proposals for long-term-care facilities was announced, did West Nipissing make a proposal for long-term-care facilities?

Ms Sénécal: Of course. We were maybe the first one to do so, but because of the existing formula that's in place right now, they say that we are over bed. But they don't take into consideration, as my colleague was saying, the fact that even for people who are under 65, you're using 29 beds right now because of different illnesses, and we are an aging population. The formula they are using right now is not fair, is not equitable. We cannot use a formula to evaluate all across the province. We should go, and governments should go, pertaining to the need of the community. That's why we were not given any more beds. But as statistics show, we are in desperate need. Right now, as of today, if by a miracle a home for the aged were built and Sturgeon Falls closed the old chateau, you would have 48 persons who would be taking up residence tomorrow. That's how bad it is.

1540

Le Vice-Président: Monsieur Christopherson, avez-vous une question ?

Mr Christopherson: Merci. Now I'm done.

There's a term—a horrible term, actually; it's too bad that it has taken hold—called “bed blockers.” You may

know the term. It refers to people who should be in a long-term-care facility but aren't. They can't go home and have nowhere else to go, so they stay in a hospital, where the costs are astronomical. The thinking is that they're sort of blocking that bed, if you will, from someone else using it, which gives a negative connotation to them, as if they're doing something wrong by being sick. In the continuum of your system in most communities, that's part of it. One of the ideas is to reduce that so we could either use those hospital beds for other purposes or reduce the beds to save money and put the money, hopefully, into community health care. Do you have that situation in West Nipissing? If you do, what are the numbers like?

Ms Savage: Right now, in les soins continus, les soins aigus, the beds are fully utilized. However, the six interim beds were beds that were put aside and should have gone to the nursing home, but because they didn't have the space to put them in, they put them at the hospital.

Mr Christopherson: But they were designated to be interim beds. What I'm getting at is, in the regular hospital system, are there people occupying other beds above and beyond the six who, if there were places in the community, would be there?

Ms Sénécal: Eighteen beds.

Ms Savage: Eighteen.

Mr Christopherson: That's what I was looking for.

Le Vice-Président: Le gouvernement ?

M. Beaubien: Merci. Vraiment j'essaie de comprendre ce que vous avez discuté, parce que vous êtes la seule présentation que l'on ait reçue sur les soins à long terme avec le problème que vous avez présenté cet après-midi.

Dans ma circonscription dans le sud-ouest de l'Ontario, vraiment j'ai beaucoup de personnes qui sont au-dessus de l'âge de 65 ou 75 ans, si je regarde le dernier recensement. Je vais comparer les pourcentages dans ma circonscription avec ceux de Nipissing Ouest. Si vous aviez fait cette présentation-là il y a quatre ans, je pourrais comprendre pourquoi vous avez une difficulté. Mais aujourd'hui j'ai beaucoup de difficulté à comprendre pourquoi vous n'avez pas les lits de longue durée à Nipissing Ouest. Si on compare la démographie, les vieillards dans ma circonscription, avec celle de la région de Nipissing Ouest, on est au même niveau, puis nous n'avons pas de difficulté avec les lits en ce moment-ci.

M^{me} Sénécal: Ça fait toi et moi qui ne comprenons pas, parce que j'ai beaucoup de difficulté, moi aussi, à comprendre. Il n'y a aucune raison aujourd'hui d'être dans la situation critique où l'on se trouve présentement à Nipissing Ouest. C'est pour ça que l'on est ici aujourd'hui.

Ça fait ma neuvième année au conseil municipal. Ça fait des années qu'on « lobby », si je peux utiliser ce terme, notre gouvernement, le ministère de la Santé, pour avoir des lits, et pas seulement des lits. Il faut juste penser aux coupures qui existaient dans les dernières années dans ce qu'on appelle le « home care ».

Je vais vous donner un exemple. Je prends soin de mes parents. J'ai déboursé 50 000 \$ en 1995 pour faire une rallonge pour garder mes parents. Ils étaient bien en ce temps-là, six ans passés. Ils se débrouillaient. Mais plus que ça va—mon père a 80 ans et ma mère a 78 ans, unilingues français les deux. Ils ne veulent rien savoir de s'en aller à North Bay ou à Sudbury—rien contre le service.

M. Beaubien: Je comprends. Mon père a 92 ans; ma mère a 90 ans.

M^{me} Sénécal: S'il y avait des gens qui pourraient aller les aider à la maison, y mettre des argent, c'est ça. Il y a une question de lits, définitivement, mais c'est tout le système.

M. Beaubien: Puis le ministère ? Qu'est-ce qu'ils vous disent ?

M^{me} Sénécal: Ils vont les enlever, les lits intérim.

M^{me} Savage: Mais aussi en prenant en considération, comme Lise a mentionné tantôt : the ministry identified that we are being overfunded, because they're taking into account the age factor of 75 and more. But they don't realize that we have a high volume of seniors who are less than 75, and that's the whole issue.

We have in areas to the west of us two nursing homes. They're having difficulty filling all their beds for long-term care. We here in West Nipissing have a waiting list. It's been an issue that has been growing slightly and slightly. Ça s'en vient à un point culminant. Ce qui arrive, on a fait circuler même des échantillons de plaintes, des annonces qui ont paru dans les journaux. Si on voulait apporter un lit, on n'aurait pas eu à apporter une brique, mais c'était juste pour renforcer le message, le pourquoi.

Ça fait exactement cinq ans que je siège au conseil, depuis qu'on est amalgamé. Avant, j'entendais parler beaucoup de ces histoires-là, mais les plaintes ne sont pas à mon intention. Depuis que je représente la municipalité de Nipissing Ouest, on a ces plaintes-là qui arrivent régulièrement, comme par exemple la dame qui m'a appelée cette semaine, completely devastated. I did not want to make the decision for them, because I did not want to have it on my conscience.

Why is it like this in West Nipissing, in comparison to Monsieur Arnott's area? West Nipissing is located between Sudbury and North Bay, but we're still unique, because it's a francophone community. The culture is different, an agricultural area. Your seniors were born in the country, accustomed to hard work, farmers and so on. They're still different in that way, so maybe it's the difference in culture and so on that could make a difference, pour être sensibilisé ou pour être capable de s'ancrer dans d'autres communautés avoisinantes.

The Vice-Chair: Thank you very much for your presentation. Merci beaucoup.

This concludes our Sudbury hearings. This committee will resume tomorrow morning at 9 am, hopefully, in Thunder Bay. The committee is adjourned.

The committee adjourned at 1546.

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finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances
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Consultations prébudgétaires

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Wednesday 5 February 2003

Mercredi 5 février 2003

The committee met at 0902 in the Prince Arthur Waterfront Hotel and Suites, Thunder Bay.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Joseph Spina): Good morning. The meeting of the standing committee on finance and economic affairs will come to order here in Thunder Bay.

A couple of announcements before we proceed with our first delegation: to remind all the people in the audience we do have simultaneous interpretation for anybody who needs or requires that service. If you need one of these just ask the clerk or the staff and they will get a piece of equipment for you.

Second, to the members and staff, check-out time has been extended to 12 o'clock only. They're understanding that if we're done at noon then we can go down and check out right after noon, but they'd like us out of the room by noon, if possible.

Last but not least, the bus will be outside to pick us up at 3:15 and the flight is scheduled to depart at 3:45 for arrival in Ottawa at 6:20.

CONFEDERATION COLLEGE

The Chair: We shall begin our presentation. Our first presenter this morning is Confederation College. Please state your name for the purpose of Hansard. You have up to 20 minutes. Any time left over from your presentation will be used for questions and answers. Proceed, and welcome.

Mr Ian McCormack: Thank you, Mr Chair. My name is Ian McCormack and I'm the vice-president of community development at Confederation College here in northwestern Ontario. I'd like to thank you and your colleagues around the table for an opportunity to participate in this pre-budget consultation. With me today, and they will reintroduce themselves when they speak, are Mr Ray Williamson, who is a leader in our business community and involved in the home builders' association, and to my left is Olaf Smith, who is a student leader in our community and the president of our student union at Confederation College.

Again, I'd like to welcome all of you here and I hope that while you're here you'll enjoy the beautiful geography and the people and hospitality of northwestern Ontario.

What we'd like to do over the next 15 minutes, and each of us will carry about five minutes of the presentation, is tell you a little bit about who Confederation College is, what we do and what we mean to the community of northwestern Ontario. We'd like to leave with you two key, critical messages. One is the importance and the significance of applied education and learning in the northwest and the role that Confederation College plays in that in the support of the economic health and social health of our region and our communities; second, another message in terms of the requirement of appropriate and timely operating funding to support those activities.

We're very proud of the fact that 89% of the students in northwestern Ontario who choose to go on to a college of applied arts and technology come to Confederation College. We're equally proud of the fact that roughly 78% of those students, upon graduation, continue to live and work in northwestern Ontario, therefore making a significant contribution to the economic health of our region.

Thirty-five years ago the province of Ontario showed significant leadership and creativity when they created the community college system, and it's a system based on its success that has been replicated around the world. Today, 35 years later, Ontario colleges appear to be the poorest funded in Canada, and small and rural colleges like Confederation, which incidentally serves a geographic area the size of France, have been even more negatively impacted by a funding formula which has transferred grants to the growth areas of the Golden Horseshoe or the greater Toronto area.

Recent improvements to the northern and rural grants help, but do not compensate for the basic grant inequities. I should say that we're very pleased with the recognition of rural and remote colleges in last year's budget, or should I say this year's budget, but the unfortunate reality is that those dollars are used to basically maintain and keep the lights on and do not allow us to extend the work that we do locally further into the region.

We're certainly appreciative of partnerships with the province in terms of the strategic skills initiative and SuperBuild dollars that we're currently using to create our Aviation Centre of Excellence and our forestry centre of excellence, but it does not impact the day-to-day operating needs of our college and our faculty and our staff, and most important, our students and the business community who do benefit at the end of the day.

Northwestern Ontario, in order to be successful, in order to maintain its economic health, needs a vital college to contribute to the regional development, and it's not served well by current policy. Confederation College is a college that means many things to many communities, and initiatives such as our forestry centre, our Negahneewin College of Indigenous Studies and our Aviation Centre of Excellence are population- and sector-specific. But one of our other realities here in the north-west is to be a college of access. The communities that we serve throughout this huge region, including approximately 30 to 35 communities that you can only fly to north of the 50th parallel—their students and their learners have tremendous access needs in terms of getting into post-secondary education and therefore achieving the training and educational needs so that they can make a positive impact to their communities.

In terms of the impact of the current funding formula on Confederation, by the 2002-03 budget year Confederation College has lost \$10 million in total to the funding formula since 1991-92, and over that period has grown by 5%. If the formula had been different and had been changed to a fixed share, the grant this year would have been \$2.6 million higher than it is actually today. This budget year, when we started out a year ago, we were struggling with the elimination of a \$1.6-million budget deficit.

We'd like to underline that it's not the result of government funding reductions that are having an impact on our college's operating reality, but it's a result of the funding formula, which in simple terms penalizes colleges such as ours that work in a geographic and demographic region like northwestern Ontario, that cannot keep up with the growth in the colleges in the GTA. The funding formula that exists today does not support the work of rural and remote colleges.

With that, I'd like to turn it over to Olaf Smith, who will speak to this issue from the perspective of one of the groups who are why we get up in the morning: the students of Confederation College.

0910

Mr Olaf Smith: I was asked today to come and speak to you from a student's perspective on how the quality of education is impacted by the amount of funding that the college receives.

First of all, I'd like to touch on the resources that students utilize for their education. I've been to the regional campuses that Confederation has in the west part of Ontario. I've travelled over 1,500 kilometres to visit with these students to see how their education is matched with mine, which is in Thunder Bay. There is a great difference in the resources that are available to them, whether it be the library resources or the IT resources. This is just something that shouldn't happen. If a student in the region is getting an education and it's the same program that I'm in, they should have the exact same education and should have the exact same resources at their disposal.

Another issue facing students nowadays is the teacher-student ratio and the use of sessional faculties. The college is almost forced into a position to utilize these sessional faculties, or part-time faculties, to help provide the education that students need. To give you a small insight into what this means, a part-time faculty would be invited on campus who would probably have the knowledge base in a particular field and who would be able to teach one or two courses. This faculty member may not have teaching experience. For instance, I've had a class with a sessional faculty who was very well versed in the knowledge that he was presenting but who did not have the teaching skills. Unfortunately—or fortunately, depending on how you want to look at it—everyone in the class received an A because of the teaching style and just the situations that happened throughout the class. If this was a full-time faculty, they would have had time to prepare for classes, to adequately spend time with the students and to ensure that the students actually learned what was being taught to them as opposed to just a shotgun effect and giving the students all As.

Another thing is that with this new teacher-student ratio growing to probably one teacher for every 22 students, there are many more demands on the faculty's time. Therefore, the students are getting somewhat cheated out of faculty time if they need help in being successful in their studies.

Another issue facing students is the services that are provided to students. There is also a ratio of 24 students for every support staff worker who works at the college. There are students who aren't successful at college because they don't have the adequate services provided to them.

I'm just here today to point out that there are solutions to these. As a member of the College Student Alliance, the Confederation College Student Union has actually helped in the development of a funding paper called *Quality: A Moving Target*. This is available at their Web site. Unfortunately, I didn't get copies for you today. It outlines recommendations the government can do to adequately fund the college system and ensure student success and ensure that the colleges are running smoothly.

I'd like to thank you for this time. I will turn it back to Ian.

Mr McCormack: Just before I introduce Ray, there are a couple of other comments I'd like to make.

In this year's budget, the colleges were recognized in terms of increased funding for rural and remote activities. It was very interesting to note, though, that of the 24 colleges which exist in Ontario, 16 of them were deemed rural or remote in terms of the work they do. I do feel I need to say on our college's behalf that the reality we face here in northwestern Ontario in terms of dealing with the true ruralness and the true remoteness in terms of the students and the communities and the people we serve is very, very different than most of the other 16 colleges that did receive some of that rural and remote grant.

Just to quantify the funding issue in terms of relative numbers—and you may or may not be aware of the ACAATO position paper that came out a couple of weeks ago in terms of college funding—a secondary school student is funded to the tune of roughly \$6,700 per year, per-unit funding to that school. If that same student chooses to go to a community college, the per-student funding that that individual attracts to the community college is roughly \$4,300. If that student chooses alternatively to go to a university, that student is funded to the tune of roughly \$6,800. So there's a significant difference in the value that we put on our students if they choose to come to a community college as opposed to the value that's attached to them when they attend a university or a secondary school.

With that, I'd like to introduce Ray Williamson. Ray, perhaps you could say a few words about who you are.

Mr Ray Williamson: I'm Ray Williamson and I'm secretary of the Ontario Home Builders' Association, so I'm down in southern Ontario quite a bit. We are one of the largest employers of people in Ontario. We have over 200,000 members, 3,500 companies. I have 20 years in that business. I was member of the year. I'm here because I have a lot of concern about the direction Thunder Bay is travelling in. I have three boys and I love them. That's why I'm here, because I think unless we do something economically, it's not going to be able to sustain my kids when they get old enough and they will move, like the thousands of other people who are leaving, the out-migration of leaving rural Ontario.

My little crystal ball can only fit two little things—and I'm not a public speaker, so I have to apologize for how I'm addressing this. But there are two things that I see. One is education and the other thing is opportunity bonds. I'll clarify both of those situations, and tax incentive zones.

Education: we can't afford to cut education any more. The college is a community college, and geographically, as Mr Gravelle said yesterday on the news, our land mass is 87% of Ontario. What I have to say is that we don't enjoy the benefits of our colleagues in southern Ontario, because you can go to pretty well any of the colleges and universities down there within a five-hour radius—you can hit all of them—whereas in Thunder Bay, Confederation College, you're 17 hours away from that core. When you say "benefits," the thing is, it's value through association. The industry leaders down there support a lot of—like, funding for sponsorships, for even doing presentations for students, is a lot more easily accessed down in southern Ontario than we have here, plus the college is serving the aboriginal communities, the diversity of education and implementation of their programs. It's a lot more costly because of where we're located.

I applaud this government because they do put programs on like this, and that's self-analysis. You're always looking at how you can improve yourself. The communication skills between the ministries are good. We just need a little bit more implementation of some of the findings a lot quicker.

Again, in our industry we're finding a huge shortage of skilled labour. The average age of a carpenter is 27. I don't have to read this because I can feel it, I see it every day. The average age of a bricklayer is 55. In Alberta and a lot of the other provinces they're addressing that shortage. They start at the grade 5 level to start bringing them up. Again, the college is a very important tool in the delivery of that mechanism. We need tools to work with when we're building houses and delivering our end. The home building industry only responds to demand; it doesn't create it. It can sustain it, but we need help in sustaining that economic drive. We rely on colleges, especially Thunder Bay in this area.

That brings me to the other point. We're not really booming here. We need industry. Everybody always turns to the resource-based community and says, "OK, guys, come on. Let's pick up the speed. We need more guys." Then you have Bowater talking about laying off another 140 people. We had this scare with the elevators just a little while ago, and they're just getting out of there. There were 5,000 people working there; now there are 300. Bowater had 3,000 people at one time. Now they're at around 1,000 people.

0920

They've done their job and they continue to do their job, but we need other industry and we have to start turning to the knowledge-based industries to sustain our growth and to redevelop it. Even though my colleagues are promoting and supporting opportunity bonds, that will not work in northern Ontario. It will not work because what happens is—you're more apt to sustain it in sustainable communities. So you've got a boom. It's just busting at the seams down in Toronto, the work is just incredible, and they're looking at ways to sustain that. Opportunity bonds work in that direction, where tax incentive zones are immediate. They'll happen now. What you have to do is create this as a regional zone. You can't break it up. Just as the college is a regional college, this has to be a regional zone, and the funding has to be appropriate, relative to the areas that we're covering. When you get into tax incentive zones, if we can tap into that by getting knowledge-based industries or other industries to complement what we have here, I can see that there is going to be a good future for our area.

I just don't want to see anything happen to this area and I think what the government has to do is have confidence, again, in the leadership. If you go into a tax incentive zone and you do a pilot project like they've talked about, you create a winner and you're going to create a loser. When you go back to a small community and say, "We didn't win," that sets that community back milestones. So I think we have to address it as a regional issue.

I'd like to thank you for the opportunity of being here.

Mr McCormack: In closing, Mr Chair and committee—and thanks to Ray and Olaf—we would like to say that we're very proud of our role in economic development and the support of our communities here in

northwestern Ontario. We're very proud of the role that we've played in ensuring that there are registered practical nurses in Geraldton and that greenfield mill operations such as Trus Joist/Weyerhaeuser in Kenora—we supported the pre-employment training and successful start-up of that facility. We're very proud of the fact that we built strong partnerships with business and industry—that's one of the reasons why Ray is here this morning—and we're very proud of the fact that we have student leaders such as Olaf in their midst who go on to be leaders in their communities.

We're very proud of the fact that this year the college professor of the year is here at Confederation College. As well, the university and college librarian of the year across Canada is here at Confederation College. We're very proud of the fact that we've worked very, very hard to serve our communities—business, industry, the public sector and the students and learners—and we look forward to working with government to ensure that we have a funding formula that supports those operating activities on a day-to-day basis.

The Chair: Thank you. That leaves us about 20 seconds for a very quick question from each caucus. We begin with Mr Christopherson. You're pretty close to the line but I'm going to allow this since we have a bit of time.

Mr David Christopherson (Hamilton West): Thank you for your presentation. Congratulations on those two honours. That's quite significant.

I just want to touch on briefly that you say the funding formula has transferred grant to the growth areas of the Golden Horseshoe. Fair enough. The Golden Horseshoe, from this vantage point, is looking like they get everything. We've heard from a couple of other community colleges down there—in my own riding, for example, Mohawk—and they're in the same predicament. Can you explain to me how there's an unfair disadvantage, notwithstanding the geography, which affects where we are in a most obvious way?

Mr McCormack: In simple terms, if we don't keep up with the growth of the fastest-growing colleges, we're penalized. Given the demographic and population realities of our region, it's a goal that's probably unattainable, to keep up to that growth.

The Chair: We move to the government side. Mr O'Toole, 30 seconds.

Mr John O'Toole (Durham): It's nice to see you again, Ray. I do see you a lot in Toronto, advocating for the north. I commend you for that. I also appreciate all of the things you said, Ian, in terms of the importance of the college, whether it's the skills portion, the linkage, the partnerships within communities. Your message was heard yesterday in Sudbury and it was certainly heard last week in Toronto. I believe the double cohort—the minister's commitment to post-secondary is there. Let's hope it works out for the colleges, because I do believe, for all the reasons you've described—

The Chair: Question, please.

Mr O'Toole: —is a very important part of it. The question is, do you think we're on the right track?

Mr McCormack: Based on what I've heard and seen and the positive messages in the short 18 months that I've been at Confederation, I believe we are on the right track in terms of, first, looking at the role that post-secondary education plays in Ontario. The proof will be in the pudding, with a funding formula that reflects our reality and the context in which we live and work.

Mr Michael Gravelle (Thunder Bay-Superior North): I will be quick. I think you deserve congratulations for the remarkable successes you've had at Confederation College, considering the cutbacks and the challenges with the funding formula and a variety of things. It's tremendous.

Very quickly, may I ask you, what is the one thing you would like to see in the provincial budget that would impact most positively to meet those challenges you've talked about in your presentation today? If you can do that, it would be useful to hear that.

Mr McCormack: We're certainly supportive on the part of ACAATO's position to increase the per student unit funding by roughly \$1,300 per student, per year.

The Chair: Thank you, gentlemen, for a good presentation. Ian, since the last time I saw you, you have now embarked on a new career. I wish you success. And I'd be remiss if I didn't acknowledge that also present here today is President Patricia Lang of the college. So welcome and thank you for your presentation.

Mr McCormack: Thank you, Mr Chair. It's good to see you again too.

LAKEHEAD ELEMENTARY TEACHERS OF ONTARIO

The Chair: Our next presentation is Lakehead Elementary Teachers of Ontario. You have up to 20 minutes for your presentation and questions and answers. I would ask that you would clearly state your name for the purpose of Hansard when you speak. Welcome.

Ms Christina Lofts: Thank you for the opportunity to share our ideas with you. I will introduce my co-presenters: Stuart McNabb, first vice-president, and Sharlene Smith, vice-president. I am Christina Lofts, president of the Lakehead Elementary Teachers. We represent 530 members in the Lakehead.

Rozanski agreed with what teachers and parents have been saying for years: that the Conservative government has starved the public education system to a point where it is in desperate need of a substantial reinvestment of funds.

Since 1995, this government has set out to create "a crisis in education," and developed a funding formula that did not provide school boards with adequate funds to run the education system. As a result, teachers have had to face increased class sizes and workload, along with decreased support.

The one-year fundings that the government recently announced in response to Rozanski are not enough.

Boards and schools need a measure of predictability in funding.

The Lakehead Elementary Teachers agree with the findings that were stated in *The Schools We Need* report by the Ontario Institute for Studies in Education of the University of Toronto. A strong education system requires vision, governance, coherence, evidence, support for teachers, feedback and implementation, and adequate and flexible funding.

The millions of dollars wasted in advertising by this government should have been better spent on resources to the classroom and the recognition of the hard work of the teachers within the public education system. Staff morale is low because it would appear that the government does not publicly recognize the teachers' accomplishments. Teachers are dedicated, hard-working employees who love their jobs and their students. Teachers bring learning to life. Teachers work with parents to help children succeed. Everyone is expected to do more with less. Money is wasted on advertising, which leaves teachers feeling demoralized. Redirect this money to the classroom, or at least celebrate the hard work and dedication of teachers.

Shared decision-making, open communication and respect for employee input encourages a positive climate of collaboration for both the ministry and educators. ETFO is willing to work with the government to enhance education and to help problem-solve issues. The public still supports public schools, but people are concerned about funding cuts. We recommend that this government stop all advertising and redirect the money to support the students in the classroom.

0930

Teachers perform one of society's most important jobs: they shape young minds. Our future voters, taxpayers, Prime Ministers and Premiers are sitting in elementary classrooms right now. They are students today, developing into citizens responsible for the society we leave to them tomorrow. Every day, elementary teachers invest in that future. They invest their time, their energy, their own money and their expertise into our young people. It's time this government invested in elementary teachers.

In this time of teacher shortage, the government needs to make teaching an attractive alternative for our university students. Boards face a challenge in recruiting and retaining good teachers because starting salaries for new teachers are lower than starting salaries in other professions that require similar skills.

We recommend that the funding formula fully recognize increases in inflation and enrolment and that the overall funding for public elementary and secondary schools be increased immediately to reverse the cuts to funding that have been made since 1995.

By giving a tax credit to families who send their children to private or independent schools, much-needed money is taken away from the public education system. A well-funded public education system can meet the needs of all parents and students. Public schools continue

to struggle with the inadequate financial support they receive from the public education funding model. The tax credit for parents who send their children to private or independent schools, when fully implemented, will cost the province \$300 million or more, based on current enrolments. All students deserve a free, fully funded, fully resourced public education system. We recommend that the tax credit for private or independent schools be eliminated and that the funds be redirected to public education.

Ms Sharlene Smith: A good education system has many components, not the least of which is its teachers. Elementary teachers are on the front lines of education every day. We see the children who come to school hungry, frightened or hurt. Not only do they teach young students how to learn, they identify difficulties early in a child's education to ensure that the students can get the extra help needed to secure the best chances for success in later years. What did your new funding model do? It eliminated teachers, it eliminated programs, it eliminated the resources for early identification of those special-needs students.

A further casualty of the funding model is the loss of specific valuable programs and their teachers, such as instrumental music, industrial arts, family studies and teacher librarians, to be partners in action with the classroom, to help meet the expectations of this new curriculum. Consequently, elementary teachers are left to implement nine curricula, in larger classrooms, with more special-needs students. Despite these increased demands, administrative support has been reduced, special education support has been reduced, new report cards have been implemented and documentation requirements are escalating.

Without textbooks, resources and materials, teachers are spending more hours searching for age-appropriate materials in order to deliver an effective program. This requires time and effort in addition to the normal classroom expectations. As part of their regular routines, teachers continue to liaise on a daily basis with parents and outside agencies. The expectation is that elementary teachers do all this with a level of support significantly below that given to our secondary colleagues.

Why are teachers spending so much time typing report cards? The Lakehead board acquired a program to help us reduce the time we spend typing report cards. The stress and additional personal hours outside the instructional day of up to 60 hours per set of report cards, three times a year, has put a strain on the health of teachers and their personal time with families. This is compounded by the additional personal hours spent creating resources and materials, and providing extracurricular activities for students. On average, a teacher spends 2.7 hours per week participating in extracurricular activities for their students.

Research on class size overwhelmingly points to the importance of smaller classes in elementary schools. Student achievement improves in smaller classes, learning problems are more easily identified, remediation can

occur early, when it's most beneficial, and the integration of students with special needs is more successful with classes that are kept smaller. Studies show that students who are in smaller classes in elementary schools benefited throughout their entire school career.

The restrictive space limitation is coupled with the mandated average increase in the number of combined grades now occurring in our schools. In the context of larger class sizes and the rigid grade-specific curriculum, combined grades disadvantage our elementary students and increase the workload of elementary teachers. Teachers have to prepare more lessons. Students now take more work home.

The new Ontario curriculum was written in isolation and there are few common themes with other subjects, even within the same grade. There is a dramatic reduction in teacher-student interaction in combined grades.

What happens in the first few years of a child's life sets the basis for later learning. Children in kindergarten are involved in problem-solving, literacy, numeracy and developing social skills. Adequate funding must be there to ensure they get that fair start in lifelong learning. Investments in early learning bring significant paybacks. James Heckman, a University of Chicago economist, states, "Investing in the very young is the most economically efficient investment society can make." Investments in learning readiness can prevent problems from arising later in school and can thus reduce the need for remedial programs in the future.

If this government wants students to excel, with particular emphasis in grades 3 and 6 due to standardized testing, then it must fund the appropriate supports by providing an infusion of money for textbooks, resources and fewer combined grades in order to build a strong foundation for future learning.

Program delivery not only is difficult because of a prescribed curriculum and split grades, but teachers lack the proper facilities and resources to deliver your expectations. For example, science experiments are often conducted by teachers, and the student's only opportunity to participate is to observe because of health and safety factors or the lack of sufficient resources for the entire classroom.

Your mandated professional learning and recertification program will not produce better teachers. A potential expense of \$50,000 over a new teacher's lifetime is expected for PD, not to mention their personal time. Only a teacher can determine his or her professional needs.

An analysis of stress-related long-term disability claims by the Ontario health insurance plan shows that Ontario teachers have a rate of 15 claims per 1,000 insured members. This compares unfavorably to the industry's overall standards of a range of five to eight claims per 1,000.

Therefore, we recommend the following:

That preparation time for public elementary teachers be funded at a rate no lower than the 200-minute standard set out in Bill 160;

That teachers receive at least nine professional development days during the school year;

That professional development be adequately funded;

That teachers are highly qualified professionals, able to determine their own professional development needs without the imposition of mandatory recertification;

That elementary schools should be staffed with specialist teachers such as music, library, guidance;

That there be two formal reporting periods per school year;

That there be adequate funding provided for textbooks and resources for all classrooms;

That class sizes in junior kindergarten not exceed 15, senior kindergarten not exceed 18, or combined junior and senior kindergarten not exceed 15;

That maximum class sizes in grades 1, 2 and 3 be no more than 20 per class and maximum class sizes for grades 4, 5, 6, 7 and 8 be no more than 21 per class;

That junior and senior kindergarten programs be mandated and fully funded by the government and that junior and senior kindergarten programs be taught by teachers who hold qualified certificates in Ontario.

Mr Stuart McNabb: Special education: parents, teachers and school boards have been telling the government for years that early intervention in programs for students with special needs are dangerously underfunded. Underfunding in these programs hurts vulnerable young children. Learning exceptionalities must be identified as early as possible so that extra support can be provided to that special-needs child and their parents as soon as possible.

The elementary teachers believe that the role of the special education teacher—the facilitator—should be one of providing direct service to children. What it has become is one of filling out forms and using just the correct ministry jargon in order to successfully snag funding. Without the funding, programs will not exist, as there will be no money to support them.

These forms require hours of time to complete correctly. Often, the ministry changes the forms or it changes the criteria mid-year and the forms have to be redone. Special education teachers, trained in filling out these forms—experienced form-filler-outers—are then used as checkers to ensure that the not-so-experienced have filled them out correctly.

The elementary teachers believe that the time would be better spent working directly with children, attempting to help them acquire much-needed skills. Time and money spent in a child's early years will save taxpayers money later when they get older and find a decent job.

ESL for non-English-speaking Canadians: at the Lakehead District School Board we have a large number of First Nations students who come down from their reserves in the north, some having very limited exposure to school and some who are ESL students. These students do not qualify for ESL teaching support. The elementary teachers believe that special education programs and ESL grants for non-English-speaking Canadians should be mandated and fully funded by the provincial government.

0940

Funding for elementary students: money that has been taken out of the elementary system since 1995 is needed in elementary schools for everything from custodians to keep the buildings clean to more books, more computers, more educational assistants, expanded libraries etc.

The funding model funds pupil spaces at a lower level for elementary students than for secondary students: 100 square feet per elementary student and 130 square feet per secondary student. Space within a school that is calculated by the ministry as teachable space sometimes realistically cannot be used or cannot be used for instruction to students 100% of the time. As a result of these calculations, schools are being closed and science labs, computer labs, libraries, special ed-rooms and music rooms are being lost along with some very valuable programs and specially trained teachers.

Very young students are being forced to spend long periods of time riding to and from school because their smaller, less efficient neighbourhood school has been closed in favour of a large central school utilizing less space to accommodate large numbers of students in larger multi-grade classes. Elementary students are being shifted into empty high school spaces, creating grades 7-to-12 schools, which elementary teachers believe is not pedagogically sound or safe.

We believe that a school is more than a building. It is a key element in the lives of our children, our teachers and our communities. The elementary teachers believe that elementary funding should be increased, real caps should be placed on elementary classes and adequate funding should be put in place for textbooks, lost programs and resources.

Ms Lofts: The document you have before you contains our recommendations and the rationale and some concrete examples of what we've been talking about.

In conclusion, Rozanski stated that funding should be "maintained at a level that will allow boards to meet the province's education objectives and on conducting regular reviews to update the benchmark costs in the formula."

If this government continues in this direction of underfunding and cuts, we will end up with an impoverished public education system, fractured communities, and students and adults who will not have the intrinsic motivation to be active participants in a changing world.

We do not believe in a two-tier system of publicly funded education. Our commitment must be to a public education system which emerges strengthened and enhanced. It must be accessible for all students, and equal opportunities for success must be available for all. The issue is that there must be adequacy of funding. Public education must be protected. Public education is perhaps the most important investment a province can make: a public investment in each child, society as a whole and the future of all its citizens. It takes an entire community to raise a child. Strong public education reduces costs to taxpayers in the long run by providing healthy, vibrant

communities. It reduces the stigma of poverty and replaces it with skilled workers in the workforce.

The Rozanski report of 33 recommendations confirms that the educational system is in a financial crisis. The report of the education task force of 2002 puts the ball clearly in the court of the provincial government. It validates the concerns that have been raised about the adequacy of the provincial funding formula. It makes clear that funding adequacy cannot be a one-time thing and it begs the question of transition from the current formula to Rozanski's enhancements. Now the focus shifts to the government of Ontario. The education system is in a financial crisis caused by the inadequacies of the funding formula. The need for new cash is immediate and long-term. The millions of Ontarians who are welcoming Rozanski's recommendations are waiting. Elementary teachers want our system to be the best that it can be. Investment in elementary students is the most successful financial strategy in today's world and tomorrow's economy. It is the right thing to do. We challenge you to do the right thing for the public education of this province. Thank you.

The Chair: Thank you for your presentation, folks. Even with the leeway that we permitted, you are two minutes over the time. So that will not allow us any questions. We appreciate your input today.

There is a presenter here but they're waiting for another individual. So what we will do is recess until 10:20. You might want to use that time to check out.

The committee recessed from 0945 to 1020.

The Chair: The meeting of the finance and economic affairs committee will come to order. Before we have our first delegation, Mr Gravelle, you have a point of order?

Mr Gravelle: Yes, thank you very much, Mr Chair. I wanted to seek unanimous consent from the committee to allow some time for a group that was just informed about the committee being in town. The Thunder Bay Literacy Group would like to make a very brief presentation. I'm hoping the committee will agree to let them make perhaps a 10-minute presentation at noon today.

The Chair: Any comment from any other committee members?

Mr Beaubien: Agreed.

Mr Christopherson: Agreed.

The Chair: It's agreed. If you'd contact them, please, Mr Gravelle, we'll have them right at 12 o'clock for 10 minutes.

Mr Gravelle: Thank you very much. I really appreciate the co-operation. They'll be very grateful.

THUNDER BAY CHAMBER OF COMMERCE

The Chair: We'll now move to our present delegation that has come forward, the Thunder Bay Chamber of Commerce. We would ask, please, that you clearly state your name for the purposes of Hansard. You have up to 20 minutes. Time left over from that presentation will be used for questions and answers. Welcome.

Mr Eric Long: Thank you, Mr Chairman. My name is Eric Long. I'm the chair of the board of the Thunder Bay Chamber of Commerce. On my left, your right, is Larry Price, a member of the team who has been working on this, and Charla Robinson from the chamber of commerce as well. Thank you for allowing us to make this presentation. It's an exciting opportunity that we have been working on and that we'd like to talk to you about. We have it on the screen up there as well as in your material as we go.

Larry is a member of the chamber's protective services training task force. He is a past member of the Ontario Provincial Police Association and has worked in this field for several years. Larry has resided in and around northwestern Ontario for over 30 years. He is currently involved with law enforcement training in Thunder Bay.

This morning we're going to be presenting an outline to support the necessity of a protective and emergency services training centre located here in Thunder Bay.

The vision for the protective and emergency services training centre is to be a multi-faceted, long-term initiative with the following priorities: strong community-regional partnerships with Thunder Bay and northwestern Ontario; specialized training and education facilities for emergency and protective services organizations; and a single access point for education, training, certification and research.

The structure would be a modular, full-service complex that would offer space for classroom training, structures for specialized certification training, a research facility for investigative and specialized practical policy development, and a central location in Thunder Bay, with facilities outside in the region as well.

We envisage the Thunder Bay and regional campuses of the training centre to include these things: classrooms and distance education; crime scene simulation; a law library; a firearms range; a training simulation cell block; residences for trainees; a fitness centre for physical development; laboratories for fire training, crime scene identification, specialized computer technology and ambulance training.

This centre will also provide specialized training through off-site outdoor complexes for fire services in the areas of fire tower, industrial fire complex, high-speed driving—I'm not sure if that's good or bad, but being on the 401 lately, that's where the training should take place—and marine, and for police services including a long-gun range, search and rescue, biathlon park and snowmobile park. Specialized training would be available for police, fire, emergency, corrections, security and other enforcements.

Police training will include First Nations, Ontario Provincial Police, Royal Canadian Mounted Police, municipal police and military. Fire training will include First Nations, municipal, volunteer, airport, industrial and Ministry of Natural Resources.

I might just suggest to members, if you're having a hard time following the book, that the screen is co-

ordinated to be tied in with my remarks. It might make it easier.

Corrections training will include correctional centres, district jails, probation and youth centres. Emergency training will include ambulance, paramedics, emergency measures, and mines. Security training will include the airport, casino, alcohol and gaming, private and industrial security teams. Other enforcement could include customs officers, Ministry of Natural Resources, Department of National Defence, bylaw enforcement and immigration.

The economic benefit of this project would have a significant impact on our region. It is our conservative estimate at the moment that over \$5 million is being spent annually on training services in northwestern Ontario. Regionalized training in northwestern Ontario would be more cost-effective for the organizations involved than is the centralized training, which is currently available in southern Ontario. Jobs will be created and maintained here in northwestern Ontario. Training is closer to home and dollars will stay here in our community. To send people down to southern Ontario for ongoing training is both time-consuming and very expensive. It is our belief that having something here of a regional nature will encourage more people to do it, it will be more cost-effective and, in many ways, will draw people to this community as opposed to the GTA, where things are busy enough and full enough with activities going on as they are.

Construction of a new training centre of this magnitude would also have significant benefits to both Thunder Bay and northwestern Ontario. It would facilitate ongoing training and development in northwestern Ontario to meet mandated standards. It would provide cost-effective access to training for emergency service organizations. There would be increased efficiency of administration and training and ongoing development of research and investigative expertise. It's our belief that that training coming here would in fact spur research and investigative expertise in this region, which would benefit not only the region but the entire province.

It would also improve public safety by providing coordinated, multidisciplinary training exercises for first response teams and provide opportunity to offer pre-entry training as a career choice. It would increase the rate of retention of young people in northwestern Ontario, which is an issue that we're dealing with all the time. It would also create and maintain consistent high-performance safety standards for First Nations, volunteer emergency services, business and industry.

There are several challenges which we are currently facing in this region; however, with this training centre, they can become opportunities for growth in the north.

The increase of mandated performance standards means increase of training costs. In every area where mandated training and performance standards are being set, that's more training that has to be done. Standards for performance in emergency services have changed and increased in number, requiring organizations to commit resources to training to meet those standards. Many of

the mandated courses are available only in training centres in southern Ontario. The related travel and accommodation costs erode overall training budgets. It is more time-consuming, costly and disruptive to send trainees from northwestern Ontario to southern Ontario training centres.

For those of you coming to Thunder Bay today, that's a big step. But for our First Nations people, for example, coming from Fort Severn or wherever they might come from, it's a big jump just to get here, and then to head on down to Toronto or southern Ontario for training is a big exercise.

Many mandated training programs are offered infrequently or not at all because of a lack of specialized structures or facilities. There are a number of mandated training courses for which the current training needs are not adequately met because of lack of the specially designed structures or facilities. Some mandated training courses are only available at training centres in southern Ontario. These courses include vehicle and room fires training. Thunder Bay Fire and Rescue needs a fire tower in an isolated location. Thunder Bay police, Ontario Provincial Police and Thunder Bay reserves would use a similar structure for rappel exercises.

Hazardous materials are relevant to both fire and police services. First aid and CPR training are relevant to both fire and police services, as are rapid deployment, target practice and live fire hostage rescue, K-9 unit training, and seasonal training with year-round needs. The severe weather conditions of Thunder Bay and the region during winter limit the type and amount of some certification training courses that require specialized facilities.

Although all emergency services in Thunder Bay have access to space suitable for classroom training within their own facilities, many times the space is not available for all training programs. The space is often used for meetings and working areas for staff.

A dedicated training area for all emergency services would eliminate this problem. Thunder Bay police, Thunder Bay fire, OPP, and the RCMP have need for additional classroom space, with storage space for equipment. Many courses are either conducted in a hotel at additional cost, or in a space that is unsuitable and therefore compromising to the training itself. Sometimes courses are not conducted at all because of the lack of appropriate space.

1030

Recruitment and retention are compromised. Young people who wish to enter selected emergency services as a career option currently need to travel outside the region to participate in basic training requirements. They are at a severe disadvantage in comparison to candidates nearer the training centres because of time away, travel and accommodation costs. Youth migration and skilled professional retention is further compromised because of a lack of a pre-entry training program in emergency services, which is part of our program.

Volunteer firefighters do not meet all standards. There are a number of volunteer firefighter organizations

throughout the region that do not meet all the required standards because of a lack of opportunity to provide necessary training. Although some training needs can be met on-site, in their communities, many more needs could be better serviced in a training centre that included a fire tower.

There is a lack of opportunity for coordinated first response team training. First response teams, which include fire, police and emergency measures services, are required to respond to events such as disaster relief, dangerous spills, hostage situations and search and rescue. They do not have sufficient time to practise co-operative exercises because of cost, inconvenience and limited human resources. A multipurpose emergency services training centre would provide a cost-effective location for coordinated training, with all the necessary equipment and facilities included.

Many emergency service employees participating in training programs are from the region and require affordable accommodation and food services. A training centre would have to provide such services during the week and on weekends.

Injured workers in emergency services incur high WSIB costs. A cost-effective strategy for injured emergency service workers supported by WSIB could be providing them an opportunity to participate in mandated training programs. A dedicated training centre with an open intake for courses would be necessary to implement this strategy.

Large numbers of employees within major industries are not adequately trained in mandated safety or emergency response courses because of a lack of suitable space and lack of time to coordinate a consistent training program.

First Nations emergency services training needs are not presently being adequately met. First Nations communities have similar training needs and requirements for emergency service provision. Larry will relate to an incident possibly that he came upon recently about the whole challenge of First Nations people obtaining proper training.

The emergency services training for First Nations has emerged as a critical responsibility throughout the region. There are seven First Nations communities throughout our region for which the protection programs are provided to volunteers. The training is delivered on-site and usually include the basis of firefighting, ventilation training and pump operations. However, there are many specialized training courses that are not and cannot be offered on-site that could be made available at a training centre here in Thunder Bay. The training centre would have all the necessary equipment, especially the fire tower, as well as skilled trainers to ensure that the aboriginal firefighters are fully prepared and certifiably trained in all areas of fire protection.

The Ontario Provincial Police have developed a high level of expertise in snowmobile and winter survival training. These specialized skills can be offered to all emergency services in the province and extended to

officers from the upper Midwest United States as well. A training centre could coordinate the marketing of such a program.

Related market training opportunities: market opportunities exist for other training groups and industries. The forest sector is one example of an emergency service first response training need. There are over 1,000 front-line workers who need access to emergency services training to meet mandated standards.

Both Thunder Bay Fire and Rescue and Thunder Bay Police Service have developed innovative diagnostic and testing techniques. Ongoing research for the development of investigative techniques and preventive measures would be a necessary function of a multipurpose emergency services centre.

Changes in the Occupational Health and Safety Act have brought more businesses and organizations under regulated coverage. Many of these organizations do not even realize that they have mandated emergency service response needs to meet WSIB and provincial workplace regulations.

Thank you for your time. We're extremely passionate about this. This is a concept that's been incubating for a while and the chamber of commerce, along with other members of the community, has been taking the initiative to bring this back up again. We think it's a very worthwhile thing that we would be very appreciative and certainly would encourage this government to take a look at and support.

The Chair: Thank you, Mr Long. That leaves us with about two minutes per caucus. We begin with the government.

Mr O'Toole: I just want to comment. The other members may want to say something. I appreciate the presentation. It's extremely important to coordinate—that's the whole deal here—resources and training. We've had a presentation from the college as well as the university today, and there are resource issues there as well. Has the training centre worked out a plan of collaborative learning, earning and whatever with respect to the existing education infrastructure? I've always felt that universities and colleges—not to be critical; I didn't design the system, nor did they—aren't used adequately. About at least a third of the year they're vacant—not because of their desire to have them vacant, and there's a lot of growth in summer school and evening school, and that's appropriate. Could you find that to be an advantage: to coordinate the use of capital and realize the economics and the synergies you've described in your presentation?

Mr Long: I'll let Larry Price look after that one.

Mr Larry Price: Yes, we agree wholeheartedly with you. We were looking at the infrastructure that's in place already, as well as what we have in northern Ontario, such as Contact North. We've also been looking at similar projects. There's one in Ottawa, another one in Niagara, Durham, as well as the Oakville training centre and the Justice Institute of British Columbia.

Mr O'Toole: So have you struck a meeting or a coordinated working group?

Mr Price: Yes, we do have a working group.

Mr O'Toole: So you're way down the line, then. You have a business plan proposal, clearly.

Mr Long: We have a business plan that should be ready by the end of this month. It's going to come from a variety of sources, but now the chamber has sort of added their impetus to this—and naturally, I'll take credit for that—in terms of pulling this together, but municipal people, the OPP, the Thunder Bay police, the fire services and Confederation College have been a part of the group that's working on this right now.

The Chair: Thank you, Mr O'Toole. We move to the official opposition.

Mr Monte Kwinter (York Centre): Thank you very much for your presentation. I don't think there's any question that a facility of this type is needed for this region. I want to follow up on Mr O'Toole's question, because before he started that was my question. It would seem to me that Confederation College was here complaining about their particular inequity, that because of their size and their critical mass, they weren't getting the same kind of funding that colleges were getting in southern Ontario. This would seem to be a perfect fit. I have no idea of their physical capability; I don't know how big their campus is and whether they could accommodate this, but it would seem to me that if you could coordinate this with Confederation College so that you get the economies of scale and you get the ability to utilize their plant to the extent that it will be of help, plus whatever additions, it would probably be a lot more saleable, because what you're really doing is a win-win situation: it helps Confederation College and it would certainly help you. Have you got any kind of ballpark dollar figure of what you're thinking the facility, as you envision it, is going to cost?

Mr Price: Yes, I do. The Algonquin site in Ottawa was \$15.5 million. We're also looking at the site for the Oakville training centre, and it was \$1.3 million. Also possibly a residence, which we were talking about, bringing people in: we're looking at approximately 1,000 police people and approximately 1,000 fire people as well, so there's a possibility for a residence. We had a figure on that as well. The long-gun range, which has been knocked around lately here in the city, would be \$0.5 million, and a distance education area would be \$0.4 million, which includes 25 sites out in the region to deliver.

The Chair: Very quickly, Mr Gravelle.

Mr Gravelle: It's just a great concept, I think, and it's one that is needed. But I did want to just alert you to the fact that the township of Schreiber is moving forward and trying to get a municipal employees training college going. I presume you're aware of it. I think there could be some overlap on this, and I would hope you would be talking to Mayor Krause and working with him, because I know he would be very excited about this. I just wanted to be sure you were aware of that.

Mr Long: I know Bob Krause very well, and I would hear about it if we didn't include him in this conversation.

The Chair: Thank you. We move to the NDP.

Mr Christopherson: Thank you for your presentation—interesting concept. To what degree are you looking at replicating services that are currently provided at places like the Ontario Police College and Bell Cairn? The OPP has their training centre. There's the fire college. Those are centralized training facilities. How much of that are you looking at replicating in the north versus providing specialized training that is unique to the north? That is, First Nations, policing or emergency response procedures would be entirely different than in my home town of Hamilton.

1040

Mr Price: Just to give you some idea, I went on the Internet and pulled up the different courses held at Ontario Police College down in Aylmer. This year, there are 167 courses being held through the Ontario Police College. Here in Thunder Bay, there are three provided by them.

Mr Christopherson: Fair enough. But my question was, how much—you mentioned correctional officers in this, I believe, didn't you?

Mr Price: Yes.

Mr Christopherson: OK. Bell Cairn is the centralized training centre, the residential centre, for comprehensive training for correctional officers—at least it was in my time. Rob, I think it still is? Yes. So I was wondering, are you looking at replicating the training there or are you talking about specialized training? I know I don't have a lot of time. If it's replicating it, my experience has been that centralization and decentralization are neither good nor bad automatically. It depends on the circumstances, like public and private. If you're talking about replicating it—

The Chair: The question.

Mr Christopherson: —we would have to look at the comprehensiveness of it. You'd have to duplicate everything, duplicate the number of trainees, duplicate the equipment, versus specialized, which I have to say at first blush makes a lot of sense. I'm not going to say a lot more sense, but certainly a lot of sense. Can you give me a sense of that?

Mr Price: There are standards that must be kept up to date and certification which must be kept up to date, and that's what we're looking at generally for corrections, from what I understand. I have the background in the policing field. I know Bell Cairn, and we have met with the folks from corrections here as well.

Mr Christopherson: Are you looking at a northern OPC? Is that what you're looking at? Or, again, is it specialized? I'm trying to get a sense of exactly what you're proposing.

The Chair: A quick answer and that'll be it.

Mr Price: OK. We could bring instructors up from Ontario Police College. They would like that, probably, to keep the standards high, and to be duplicating their services down there. They're having a hard time getting enough people through the college to provide the province with officers.

The Chair: Thank you, Mr Long, Mr Price and Ms Robinson. We appreciate your time.

LAKEHEAD UNIVERSITY STUDENT UNION

The Chair: Our next presenter is the Lakehead University Student Union. Please come forward. I would ask that you clearly state your name for the purpose of Hansard. You have up to 20 minutes. Any time left over will be used for questions. Welcome, and proceed when you're ready.

Mr Glendon Tremblay: We'll just need a few minutes to set up.

The Chair: You don't have to worry about turning mikes on or off. The staff will do it automatically.

Mr Tremblay: We're ready to start whenever you want to take your seats again.

The Chair: Proceed. I would ask also, as a courtesy, that if any meetings take place, they might go to the back of the room or outdoors. Thank you. Go ahead, gentlemen.

Mr Tremblay: My name is Glendon Tremblay. I'm the president of the Lakehead University Student Union. To my left is Daniel Mackie. He's the vice-president of finance for the Lakehead University Student Union. I'd like to thank you for giving us the opportunity to come and speak to you this morning.

As I'm sure you're all very aware, in the upcoming election especially there is going to be a great deal of talk about post-secondary education on the verge of the double cohort and in the middle of a crisis in post-secondary education. A number of the issues we'll be bringing forward today are of the utmost importance to the future of this province.

We weren't quite sure of the format of this meeting, so bear with us if it's not precisely what you saw earlier this morning. Otherwise, we will go ahead with our presentation as it is.

I guess what I'll say as a precursor is that we're going to be speaking not only on behalf of Lakehead University students at points, but also as post-secondary students in this province, because I think there are a number of issues that are connected, obviously, but some of them are more specific to Lakehead University. We're going to give you our presentation, called *Plotting the Course—Education: The Road to a Vibrant Future in the North*.

A quick overview of what we're going to be talking about is, first, "A Walk Down Memory Lane." We're going to be taking a look at the last 10 years in post-secondary, just to set the scene for the rest of the presentation. Following that, we're going to take a look at the current state of post-secondary as we see it right now. Some of the rough spots along the way and some of the difficulties that students are facing right now will be covered in "Speedbumps." "The Northern Route" will take a specific look at institutions in the north, like Lakehead University. "Down the Road" will be a slight look into the future to see what projections are looking

like. "Paving the Way" will be a look at what some of the benefits of post-secondary education are to the province. Finally, "The Road Less Travelled" will be a list of recommendations that we would hope you would take into consideration during this meeting. So we can get rolling with that.

A Walk Down Memory Lane: taking a look at post-secondary in the past little while, we can see that tuition has gone through an increase of 126% in the past 10 years. That, as you most likely know, is way higher than the rate of inflation over that same period.

Student debt has soared to \$25,000, on average, for a four-year program. People walking out of there are saddled with a huge debt. This number is somewhat skewed in the sense that there are a great many students who are living at home and not really going into a great deal of debt. Their zeroes take down a lot from this number. I do know a number of students who are upwards of \$30,000 and \$40,000 in debt after a four-year program.

There has been an increased demand for post-secondary education. The workplace is now demanding, for the most part, that employees come in with a post-secondary education.

There has been \$50 million in the unfunded basic operating grant for Lakehead University over the past 10 years, and we'll get to that a little later on as well.

Some of the things we can take a look at more specifically with Lakehead University here are—and I apologize for the size of these—on the left, you can see a chart that is looking at the percentage of tuition revenue making up the basic operating grant for the institutions. As you can see, across the board, as we get more to the right, the white part of the bar is tuition. You can see how it's increasing over the years, and provincial funding is decreasing in the bottom part.

1050

Across on the right-hand side, the chart is just showing what percentage of students' tuition fees is going toward basic operating grants of the various institutions. Lakehead is the fourth from the left. You can see it's quite high, one of the higher ones in the province. We're at about 43% of our tuition fees going to the operating budget for the university, whereas in previous years the provincial government stated that 35% would be the highest it would allow. And you can see that in other institutions it's gone far above that.

This is kind of a disturbing chart to take a look at: the current model of BIU funding. You can see the envelope that we were given a number of years ago, back in 1990-91. Actually, I guess it was established in 1986, but we have since grown a great deal at Lakehead University and you can see both our moving average and our actual BIUs are much higher than the envelope is allowing for right at this time. With the double cohort coming in next year, obviously there's going to be a great increase. This has meant that approximately 25% of our students—one in four—are not being funded, and that forces the university to do much more with much less.

Right now we have a number of issues going on currently in post-secondary education. First and foremost, the double cohort is on its way in next year. There are a number of issues surrounding that regarding classroom spaces, faculty members, instructors and residences, and whether every willing and qualified student will in fact have a spot in post-secondary. So as the double cohort is coming upon us, it's doubly important and doubly necessary to make sure that post-secondary is properly funded.

There's a continued increase in demand for post-secondary education. As I stated, over the past 10 years there has been an increase, and it continues today.

Recently, in this past provincial budget, Lakehead University was given part of a northern grant—I think it amounted to \$2.3 million—as sort of a down payment for the unfunded BIUs we've experienced over the years. That is still \$1.5 million short of funding of our students that we need at Lakehead University.

Some speed bumps along the way that we have encountered: increasing need for post-secondary in today's workplace is at the forefront right now. It's in demand. In order to have a well-educated workforce, post-secondary is necessary.

Financial barriers to accessibility for post-secondary education is the main concern of students right now. Deregulation has meant that tuition fees have increased up to 700% in some programs. In Ontario, of course, regulated programs are going up approximately 2% per year as well.

Interjection.

Mr Tremblay: Oh, thank you. My apologies. Again, an increased need for post-secondary education.

The Chair: We have the literacy council coming in at 12.

Mr Tremblay: Wonderful.

As I've already touched on a little bit, there is \$25,000 in accumulated debt for post-secondary after four years.

Right now, another issue I'd like to bring up is that Lakehead University alone is facing \$35 million in deferred maintenance. This is a province-wide issue that needs to be addressed. Our classroom spaces and hallways are crumbling in some spots and there has been very little attention paid to that.

We have some other issues that we face in the north here. Lakehead, as well as Laurentian and Nipissing, have difficult issues to face because of their location. Away from large economic centres, Lakehead, Laurentian and Nipissing face difficulties with current government funding programs and possible government funding programs such as SuperBuild and the Ontario student opportunity trust fund. These both rely on public-private funding schemes and, being in the north as we are, we don't have access to a great deal of private dollars. This has been perfectly illustrated in the recent troubles with ATAC funding.

Down the Road—a look at the future a little way: the Minister of Training, Colleges and Universities has stated that enrolment in post-secondary will continue to

increase until the year 2016. So this is not going to be a temporary two-year flux with the double cohort; this is going to be a continual trend over the next number of years. This enrolment increase is due to the rising demand for post-secondary in the workplace. But will every willing and qualified student be able to afford a spot in post-secondary education with the financial barriers that are in place?

Paving the Way to a Vibrant Future: the advantages of having a well-educated population are very well documented. The innovation industry grows. This is very well illustrated here in Thunder Bay with Genesis Genomics, which has come out of research and development at Lakehead University and our paleo-DNA lab. This has led to some, I would say, international acclaim, as I've seen it both on Canadian stations and also from the States on their public broadcasting, taking a look at some of the work that Genesis Genomics has done. It has indeed taken research at Lakehead University and made it into an industry.

Employment rates: I have some numbers here, both employment rates and earning power. It's shown right here, again from the MTCU, stating that after graduation from post-secondary education, namely university education, the employment rate is 96% after six months and 97% after two years. The average annual salary for a student coming out of university after six months is \$34,700 and in excess of \$41,000 after two years. So you have the opportunity to contribute more strongly to the economy, as the last point states there.

The Road Less Travelled—here is where we lay down the challenge, and hopefully you can take it to heart: a firm commitment to the future of Ontario from the provincial government, including full operating grant funding for Ontario institutions; eliminating financial barriers to post-secondary education, which includes ending deregulated tuition fees and rolling back tuition fees for regulated programs, thus making it accessible for students of all income levels to make it to post-secondary education; and finally, to address the current deferred maintenance crisis in post-secondary institutions across the province, and again, especially here at Lakehead University.

That will wrap up the presentation. If there are any questions, Daniel and I would be more than happy to field them.

The Chair: That leaves us about a minute and a half per caucus. We begin with the official opposition.

Mr Gravelle: Thank you, Glendon and Daniel. It's great to have you here. It was a terrific presentation. We don't have a lot of time for questions. Certainly you've hit a lot of important points specific to Lakehead University, and I'd like to have an opportunity for you to amplify on a couple of them.

Clearly the tuition issue is a huge one. I think it's somewhat shocking to discover that Lakehead is paying 43% of the operating funds—and is it Nipissing that's 50%?

Mr Tremblay: Yes.

Mr Gravelle: It's quite shocking. So obviously that has a huge impact. But specific to Lakehead University, what is the one thing you'd like to see in the budget, if I can ask you that? This is what we're here for, I guess: to make those recommendations that you think would actually most likely help Lakehead University specifically, or perhaps northern universities, in terms of the challenges that you are facing. What do you think could make the biggest difference that you'd like to see in the March budget?

Mr Tremblay: Absolutely. As stated in priority number one in "The Road Less Travelled" there, we're looking for basic operating grants. The BIU situation is unacceptable at this rate. The university can't be expected to provide the kind of quality education that is needed for the future of Ontario when they're only receiving funding for 75% of their students. So that has meant cutbacks in programs, faculty and resources. That is not providing a proper university education. If that can be done, and then there is less reliance upon tuition fees, you will see some of the other things I've mentioned in here start to fix themselves.

Mr Gravelle: The deferred maintenance issue—

The Chair: Quickly, sir.

Mr Gravelle: Is that it?

The Chair: Just quickly.

Mr Gravelle: The deferred maintenance issue: it is a big one at all universities, but it is a huge problem, I think. What do you see as the implications of not dealing with the deferred maintenance problems at Lakehead in particular?

Mr Tremblay: We have buildings where we're having to close down wings or various classrooms because they're not safe at this point in time. We had over \$1 million in mould removal from one of our residences a year and a half ago, I guess. There has just been no money put into facility maintenance or renewal. It has all been into projects like SuperBuild where we're constructing new buildings, which is great, but there has to be attention paid to the current structures.

The Chair: We move to the NDP.

Mr Christopherson: Thank you for your presentation. I have just one, I think, rather straightforward question. One of the challenges that faces the north, and has in the past and will probably continue in the future, is trying to ensure that you have the same quality of services, whether it's health care, education, whatever your needs are, as provided in the south. Your peer group: are there students who look at going to the south simply because they think they're going to get a better education than they can get in their own university in their own backyard because of the added pressures that exist fiscally here in the north, or is that not the case? Are the pressures, problems and challenges you face quite similar to those in the southern universities?

1100

Mr Tremblay: I'm going to split that up into two parts. First, we are drawing a great many students from

outside of Thunder Bay. Approximately 80% of our student populace is from outside of Thunder Bay—

Mr Christopherson: From the south?

Mr Tremblay: About 50% from the greater Toronto and Ottawa areas, so that's a large number that are coming up. That, to me, says that we are putting out a quality academic program and schedule that is attracting people up here. I'm sure the geographical location is also a consideration that would draw people up here.

However, we are facing a situation where a great many of our graduates, after they have completed their program at Lakehead, are returning down south. That is definitely because there is a lack of industry up here right now, a lack of jobs.

The Chair: We move to the government.

Mr Marcel Beaubien (Lambton-Kent-Middlesex): Thank you very much for your presentation. As an opening, my daughter did graduate from Lakehead a couple of years ago.

Mr Tremblay: Wonderful.

Mr Beaubien: I want to deal with the dollar-and-cent aspect. You mentioned that the average debt is about \$25,000, and I can see that for some students. But you also mentioned that some of them have debts of \$40,000 after a four-year program. Can you tell me how you can accumulate \$40,000 of debt after four years? What should be the average debt load for a student graduating from university?

Mr Tremblay: The first part—OSAP is granting about \$9,000 and change per year—

Mr O'Toole: About \$9,300.

Mr Tremblay:—about \$9,300, \$2,000 of which is forgiven right off the bat, so you're looking at \$7,000 right there. I do know of students who, unfortunately, don't have good-paying summer jobs and aren't able to do as I had done and make a decent amount in the summer to contribute to my post-secondary. So they are taking all the OSAP that they can get. They may be amassing debts through credit cards or through banks as well, and have managed to run up about a \$10,000 debt per year that they're there. When you start to throw in residence, meal plans, tuition and books, you're looking at \$10,000 to \$12,000 a year to attend post-secondary at Lakehead University if you're coming from out of town.

What should the average student debt after post-secondary be? What should it be? Zero.

Mr Beaubien: Why?

Mr Tremblay: Why? You can take a look at it from two standpoints. One—and I don't have it right in front of me, and I apologize for that—but at some point, I believe in the mid-1980s, it was recognized by the government that education was a right. To create financial barriers to a right in Ontario doesn't seem quite the way to go, and really is not in line with Canadian and Ontario philosophies.

The Chair: On that note, please—

Mr Tremblay: Just to wrap up? OK. Lastly, just to bring it back as well to why it should be zero, the government needs to be making a firm commitment to the

future of this province and this country. If there is the demand for post-secondary, why not make it available to everybody instead of just the upper middle class and the upper class of income earners in this province? A strong, educated workforce is a productive workforce.

The Chair: Thank you, Mr Tremblay. We appreciate your input today, gentlemen, and will take it into consideration.

CREDIT UNION CENTRAL OF ONTARIO

The Chair: Our next presenter is the Credit Union Central of Ontario. We ask, both of you, that you please state your name clearly for the record. Welcome.

Mr Scott Kennedy: Thank you very much, Mr Chair, for having us here. My name is Scott Kennedy. With me is Lea Matyuska. You'll notice we don't have any fancy visuals. I was concerned you'd pick up spelling mistakes, and I know you won't in my comments. We did pass around a printed submission which deals with four topics: the planned merger, collateral mortgages, networking opportunities, and deposit insurance premiums in Ontario. My intention is to drill down a little bit on the planned merger with British Columbia.

I want to start off by saying that we are, unlike most groups, not here asking for money, at all.

Mr Norm Miller (Parry Sound-Muskoka): Nice change.

Mr Kennedy: Yes, nice change. We're here to present what I consider to be a no-cost opportunity for the government, neither financially or politically.

As I said, my name is Scott Kennedy. I'm chairman of the board of Credit Union Central of Ontario, but I'm also the general manager of Superior Credit Union here in Thunder Bay.

To give you some idea of the scope, Superior has five branches throughout northwestern Ontario. We serve the needs of 8,500 residents of this district. I also, by the way, have 38 employees who depend on Superior for a living and they earn over \$1 million a year, and that money goes directly back into our economy. Within the district, we have nine credit unions, 17 branches and 100 employees serving 25,000 residents of the district of Thunder Bay, and you know, I'm sure, from your knowledge of credit unions, that across the province we have 203 member credit unions representing over \$1.5 billion in assets, and thousands of employees.

Why am I telling you this? Simply because I want you to understand that we make a difference in the communities we serve and we make a difference in the province of Ontario. We've had great support from the government in the past, from all political parties, and I appreciate that and that's why I'm here today. You know that we are the only provincially registered deposit-taking financial institution in the province. You also know that there have been changes in the financial landscape at the federal level with Bill C-8. We need changes in the credit union system in order to allow us to continue to compete with those banks, because they are our prime com-

petition. We need changes that will allow us to strengthen our system, so we have the proposed merger, which I'm sure you've heard about, of the financial services arm of Credit Union Central of Ontario and Credit Union Central of British Columbia. It will do a number of things toward strengthening our system and stimulating both growth and opportunity, not only here in Thunder Bay where you've heard the local statistics, but across Ontario.

One example of that growth and opportunity is in the syndicated loan program which we participate in with Ontario Central. With Central's support, Ontario credit unions have placed over \$600 million in small and medium enterprise loans in this province. Those are loans that aren't being made by the banks. Those are loans in communities where the banks are seeking to withdraw and credit unions are staying. If this merger goes through, we'll have access to potentially three times the capital to reinvest in our communities and we'll finally become genuine competition for the banking industry in all facets of it. But we can't achieve that stimulus to our local environments without this merger. We need urgent action now from the government. We need harmonization of legislation similar to other provinces, legislation that binds all member credit unions of Ontario Central to this new merged entity. Binding legislation exists in all other provinces but we've even compromised on that and said not all Ontario credit unions have to join in, but at least those who are members of Ontario Central. I want to assure you that BC has made it clear and their credit unions have made it clear that they simply won't do the deal without the binding legislation. It makes no sense for their members to have to stay in when, if things get tough, Ontario credit unions could walk.

We've been speaking with the government for two years on this topic already. We actually put in a specific proposal over a year ago and we are waiting for a response. The government has said, or the civil servants have said, that they have concerns. We've asked for a list of those concerns so that we can deal with them and put them to rest. We don't appear able to get that list. We simply can't wait any longer. We need this legislative change and, as I said before, there's no cost financially or politically in our view.

I want to touch on one other matter which relates to this, and that is the matter of the sale of the Province of Ontario Savings Office to the Desjardins Group. The government announced that sale a few weeks ago and I want you to know that we are profoundly disappointed that the government has allowed another competitor from another province to come into Ontario, not because we fear competition; that's not the case. It's because home-grown credit unions, your own Ontario credit unions, have been asking for two years for legislative change to allow us to strengthen our system and we consider it unconscionable that this significant Province of Ontario Savings Office transaction was completed so quickly and before ours, and, I might add, without consultation with the Ontario credit union system. So I'm asking you,

ladies and gentlemen, to fix it now. The time for action is now.

1110

We had a special general meeting of our members and over 98% of those there said, "We want the deal to go forward." They said, "We want to be bound by legislation to remain members of OPCO." So I'm asking you to press for comment in the upcoming budget. We need to know that we have the support of the government to move forward and strengthen our system and avoid any political embarrassment that would come without that support. We simply can't let the opportunity go by.

Please, I'm asking you to do the right thing, and that is to ensure that Finance Minister Ecker gives us an irrevocable signal in the budget that she's prepared and the government is prepared to give us the legislation we require. Quite simply, our future depends on it.

I'm going to ask Lea Matyuska to make a brief presentation and then we'd be happy to answer any questions.

Ms Lea Matyuska: I'm Lea Matyuska and I'm the manager of Bay Credit Union. I guess the reason I'm here with you this morning is to bring this down a notch to the actual credit union level and what this merger and what some of the changes to legislation will mean to individual credit unions throughout this province, particularly to small and mid-sized credit unions that quite frankly need to have these changes made.

I'm here as the manager of the credit union and also as the chairman of the local Thunder Bay Credit Union Managers Association and as a delegate to the Northwestern Ontario Credit Union Alliance. Credit unions have had to co-operate together in order to survive in such a tight marketplace out there serving the financial industry.

Scott Kennedy, who's the chairman of Credit Union Central of Ontario, has already discussed with you this morning the reasons why it's imperative that this legislation take place. The board of directors of Bay Credit Union strongly support these changes. They will ensure our survival as well as that of other credit unions in the province. In order to offer service levels that our members expect, at pricing levels that remain advantageous, credit unions throughout northwestern Ontario must network with other credit union systems.

Scott spoke to you concerning the opportunity Ontario credit unions have to merge our operations with those of BC credit unions. At Bay Credit Union we could never have offered integral services such as bill payment via telephone banking and Internet banking without the assistance of credit unions in British Columbia. We've already been networking with other credit unions in other provinces. Just one of the reasons our board of directors supports this merger so strongly is that more and more of our members have come to rely on those little debit cards. Ask yourself how often you're writing cheques versus how often you're using Interac direct payment and whether or not you'd pay over-market rates in order for those transactions to take place, that type of a volume transaction via the computer or via ATM networks or

EFTPOS. The electronic age is upon us in the financial services industry and it's very much a volume-driven pricing model. So we need to have increased transactions, and these types of alliances and mergers will definitely allow that to continue.

Credit unions in Thunder Bay and in northwestern Ontario must be able to remain competitive. One of the ways to make this a reality is to have regulatory changes made that allow this merger to become a reality. We're really frightened about what will happen to credit unions in our small and mid-sized group if this merger does not go through. Scott's already mentioned some of the demands that BC has made. In British Columbia it's mandatory to be a part of BC Central. That's not the case in Ontario. We need to have some changes made in regulations in order to have this go through.

I have worked many years with the legislative review committee of Credit Union Central and have been encouraged by this government's willingness to listen. Changes made via the red tape committee and our new act have eliminated a lot of the duplication in reporting that we've had to do on the management level at credit unions and did open up new opportunities for credit unions business-wise for our province. However, it's time to review this act, and in particular our credit union really cares about section 57 of the act as it pertains to collateral mortgages. That's also important to credit unions particularly in the Thunder Bay market. We need to reduce our liquidity levels and remain profitable by putting more loans out the door. Just to remind all of you, the word "profit" is a different word to credit unions than it is to the banking industry. Keep in mind that all of our profits are returned to the members we serve and thereby remain in northwestern Ontario. The Northwestern Ontario Credit Union Alliance is a group of 10 credit unions from Marathon to the Kenora border. They're unanimously in support of these changes that Scott's mentioned to you this morning.

I also wish to remind you that there are 200 staff in northwestern Ontario in credit unions who are counting on your support, and 50,000 members.

The Vice-Chair (Mr Ted Arnott): We have some time for questions and I'll turn first to the New Democrats.

Mr Christopherson: Thank you for your presentation. The first thing I want to do is congratulate all of the credit unions. You've done a remarkable job of coordinating your efforts. I don't think we've hit a community yet where we haven't had the credit unions come in and make the point, particularly around the issue of the merger. Given that it doesn't cost a dime and is going to reap a lot of goodwill in an election year, I would suspect and hope that there's a good chance you're going to see this in the budget. I think the government members have heard that message loud and clear, and this is one that I think will penetrate and will actually have an opportunity of becoming real.

I wanted to ask just one question, because we've covered so much of the waterfront on these issues. Again,

but not to water down your effect here, it's good to be able to say that in every community we were in we heard this. It's good for us to be able to do that. But I'm interested that in most matters—and it came up already earlier—there's something unique to the way that everything happens in the north. If it's not the weather, then it's the distance, it's the transportation problems. I'm just wondering, does that also apply to the credit union? I noticed you mentioned that you have the Northwestern Ontario Credit Union Alliance. Is that just a matter of, "Hey, we're all close together, let's communicate," or are there, even in the financial world, things that are unique to the north that as southerners we wouldn't immediately see?

Ms Matyuska: The Northwestern Ontario Credit Union Alliance is unique. There are other areas in the province that have tried, and there are loose groupings throughout Ontario in this way. One of the reasons this came into place is because we've tried to develop marketing opportunities that are unique to the north. We've got to be able to rely on each other in order to effectively compete with other financial institutions, such as the major banks, in this marketplace.

Just one of the products we've developed through the alliance is a MasterCard, which is unique to our area and has raised quite a bit of interest in other areas of Canada, actually, called the Care Miles MasterCard. What happens with that MasterCard is that a proportion of the spend on that card is actually donated to health care in the northern communities that we serve. We've done a \$25,000 endowment, just as an example, with the local hospital here. That type of initiative, where you're offering a unique credit card product, could not be done by a credit union like Bay Credit Union with \$19 million in assets. This is something where you've got to get a viable financial group that goes together with the launch of one product. That's just one example of how the alliance has been working.

I think it's safe to say, and Scott could certainly back me up on this, that the Thunder Bay area and northwestern Ontario are known in the credit union system as being able to actually co-operate and communicate together in order to get this type of initiative done.

Mr Kennedy: Thank you for your comments. We of course are aware it's an election year but we believe the province should act on our request for the merger legislation because it's simply good public policy.

The Vice-Chair: I've got to keep moving. The government side.

Mr Rob Sampson (Mississauga Centre): David is right: we've heard this in a lot of other communities. In fact, I think this has been brewing for some time. I've never really understood the opposition, if you will, of some of the folks in finance to this one. Maybe you can give me some indication as to what the roadblocks are that we're likely to face, if and when we bring this back, because I know there are some, but I've never really had anybody tell me what they are. So if you can give me some direction, maybe that will be helpful.

Mr Kennedy: Thanks very much for that question. The two things that come to my mind right now are claims by provincial bureaucrats that this might foster a monopoly in Ontario for Credit Union Central of Ontario and through that to the new merged organization that we're calling OPCO. Nothing could be further from the truth. We are financial co-operatives; we serve the members who choose to own us, and therefore it's impossible, in my opinion, to classify it as a monopoly.

There has been some resistance from the non-affiliated credit unions, those credit unions that are not members of Ontario Central. They're resistant to anything that might ultimately lead them to be required to be members of a group. But we've addressed that by saying that the non-affiliates do not need to participate and, indeed, if you are currently an affiliate of Ontario Central, we will give you more than ample opportunity before this deal closes to back out if you don't see the true benefits of it. To me it's a win-win, and quite frankly I don't understand the attitude of some of the bureaucratic staff.

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The Vice-Chair: Mr O'Toole, you have a question too?

Mr O'Toole: Yes. I did the consultation on this with Jonathan Guss and Credit Union Central and have spoken directly to the ministry as well as the ministry people. Like Mr Sampson, who also participated in that, I'm perplexed, because Janet Ecker, before Christmas—Jonathan was in, actually, trying to say that this is a do-or-die situation, and it got locked up upstairs somewhere. I have no idea where.

With respect to section 57, I agree you've got some work to do there to educate the public. They don't understand that whole issue of the collateral aspect of lending. Yet the banks themselves are actually moving further in terms of mergers and Bill C-8 and financial services, so we in government are supportive of the credit unions. In fact the merger of the OSC-FSCO, which was part of this discussion—we've tried to remove credit unions and co-ops from that merger, putting them under the community and business services branch, so that they're not as complex, sophisticated business plans, and cost of operation would be less significant. So keep pressing, keep pushing, and I think you'll find a very supportive response from the government. Why it's being locked up, I wish you could tell me the person's name.

Mr Kennedy: Thank you for those comments. My only response might be that because it's such good, sound public policy, sometimes ministers and politicians have to take actions to override the people below them. It's unfortunate but sometimes it has to happen, and I believe this is one of them.

The Vice-Chair: We'll turn now to the Liberal caucus.

Mr Kwinter: Thank you very much for your presentation. I'm sure you know I have a long relationship with credit unions.

Mr Kennedy: It's nice to see you here.

Mr Kwinter: I'm just delighted at the progression as to what happened from the late 1980s to the present time, because there were a lot of mismatches at that time with loans and deposits. I'm totally supportive of your desire to merge with the BC credit. I think you need that critical mass.

I just wanted to correct something you said about the Province of Ontario Savings Office. There was consultation with the credit unions. As a matter of fact, there's a letter on file that was presented to us earlier in these hearings saying that because of the restrictive legislation affecting credit unions, they would have to pass on it; they couldn't even make an offer. I think that's unfortunate. I think the government could have made some accommodation to correct whatever it is, to allow the credit unions to take over the Province of Ontario Savings Office, because I think it would have been a fabulous thing for Ontario and certainly for the credit union movement. I just want to let you know that.

Mr Kennedy: I appreciate that, and that is correct. If I mislaid, it was unintentional. Where I was referring to the consultation, it was the requirement that I believe exists in the legislation for the minister to consult prior to approving the charter of any new credit union. I believe the Desjardins Credit Union charter was approved without the minister assessing the impact on the existing credit union system, which I thought would be best achieved by talking with Ontario Central. So I'm sorry I—

Mr Kwinter: No, I agree with that.

The other thing I want to talk about is the collateral mortgage situation. Do the credit unions not have the ability to insure high-ratio mortgages?

Mr Kennedy: Yes, we do.

Mr Kwinter: So I'm not exactly sure why this is a problem. If you can insure to get to a 90% mortgage, and under a conventional mortgage you're only at 75%, you need collateral to exceed that, why can't it be done through an MICC type of operation?

Mr Kennedy: I'll start and Lea can tidy up for me if she wants to. Anything over 75%, we are allowed to go to 95% with CMHC approval. You are probably aware that that costs money; it costs 3%, I believe, of the outstanding balance to go up to that amount. That's not a requirement that the banks have to face. So I have to go to my member and say, "Isn't it great you're dealing with a credit union? It's going to cost you 3% more for insurance premiums. Or you can go to the Royal Bank and do it for no charge." It doesn't seem fair.

Do you want to add to that?

Ms Matyuska: The only thing I wanted to add as well is that it's the restriction that's in the act right now that basically says we can do collateral mortgages in excess of 75% only up to a figure of \$25,000. Twenty-five thousand dollars isn't a lot of money nowadays. That pretty much sums it up. When we're doing a collateral mortgage, we're counting on both real property, usually, and a vehicle as security for higher debt loads. People are simply borrowing more.

Mr Kwinter: Do I have another minute?

The Vice-Chair: I'm afraid you don't, Mr Kwinter.

I want to thank you very much for your presentation. We appreciate your advice.

McCAUSLAND HOSPITAL

The Vice-Chair: Our next group is the McCausland Hospital. I understand a representative of that organization is here with us. Welcome to the standing committee on finance and economic affairs.

Mr Mario Audet: My name is Mario Audet. I'm CEO of McCausland Hospital. I've been CEO for two months. I came up through the clinical side of things. What I'd like to discuss this morning are the Kirby and Romanow reports, more specifically their highlights, the gaps they've created, the northern Ontario perspective on those reports, the very tiny hospital that I manage today and then some closing remarks.

The Romanow report discussed in detail the unsustainability of our present health care system, and that's no news to any manager who is out there. The escalating costs, the escalating demand and the decreased funding for it is just coming to a crunch. It proposes an immediate injection of cash but cautions that we need changes to the system. We cannot just keep putting good money after bad, essentially, into the system.

Primary care reform at the doctor level doesn't mean much for us up here. The four physicians we have in our community are already on an alternative payment plan. They are essentially salaried employees. Over the years, through the implementation of those contracts, a lot of work has been dumped on to the hospital side. We do a lot of initial visits that would have been handled through the physician clinics. So our system has been burdened by the alternative payment plan that's been effectively initiated on the physicians' side.

The physicians really like this. They're able to control their hours more effectively. It has really solidified the number of our physicians. We were down to one physician, meaning that person was on 24 hours a day, 365 days a year. This alternative payment plan has solidified that, but it has caused some ripples in the pond.

The Romanow and Kirby reports also state that we need action, we need true reform. We don't just need to try to Band-Aid the system; we need a true look at it.

With the aboriginal health issues up here there's a clear fight that goes on between the provincial and federal governments. My institution is building a 30-bed long-term-care facility on to our 23-bed hospital facility. We're discussing it at both levels and we're feeling that, and we're a tiny speck on the spectrum. The diabetes and arthritis issues that are faced are simple diseases that have broad ramifications to the system. They're not effectively dealt with in our native population, the one I'm responsible for in my catchment area.

Recently the northwest Ontario health network met, with assistance from the district health council, to discuss the issues of the Kirby report and the Romanow report.

The issues that came out of there are illustrated in the report. The district health council is not an advocating body; they were just co-operating in this aspect.

The challenges of the rural system: you've probably heard those issues this morning about travelling, the cold, the distances and the condition of our roads and so on and so forth.

Health promotion was also a big gap in the Kirby and Romanow reports. Those two reports really centred on what we call the hospital intervention system, not preventive health care, trying to improve the health indicators of our communities.

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The health human resources aspect: I believe the average age of the nurses in our institution is about 54. I have three, I think, below the age of 40. I'm going to be facing a dramatic human resources aspect in the near future. Part of the resolution to my high cost of operations is to try to hire new, younger nurses who bring in new blood and so on and so forth and aren't burnt out like some of the ones we have presently on staff. They're not knocking at my door. We're going down to the recruitment tour every year looking for them. They don't want to come up here. There's no incentive for them to come up here. Those incentives have been whittled away through some of the new funding formulas that have come through the central bargaining of the OHA.

Primary care, again, was addressed in the reports but we feel that it has to be done in a manner that is going to be sensitive to all the micro-issues we deal with. If the government takes one approach and tries to implement it across the province, we feel that our small solution in the north—a tiny solution—may have a dramatic impact on our physicians.

I touched on the aboriginal health issues. Our system is not friendly to their cultural needs. We are trying to raise money or solicit money from the federal government to try to make our system more sensitive to their needs culturally and so on and so forth. It's a difficult process. It takes a lot of man-hours for us to do that. I have full staff of four people working for me, and that includes all my human resources, my accounting, my executive secretary and me. I'm the CFO, COO and CEO of the institution.

Technology is a solution to many of these problems. We've just implemented video conferencing equipment in our area. It's very costly because we don't have the economy of scale to be able to get broadband at a reasonable price. That's worked really well and I hope that will continue to be supported by the ministry. It needs to be broadened, it needs to be recognized through our institution. We do approximately two video conferences a week. It doesn't seem like a lot, but through the collective agreement, I have to bring in a nurse for four hours, for one patient. So the economy of scale is just not there. When we put our dollars to how many services and interventions we do, down at the ministry level we look like one of the least effective institutions in Ontario.

Continuity of care and integration: our hospital used to have home care, an ambulance department, speech pathology. We were one of the more dynamic ones, and through the institution of the CCACs and downloading of ambulances to communities we've lost that and we've lost the ability to really bridge the gaps that we used to have. So we are noticing gaps being created by some of those isolations of funds.

The mental health aspect is stressed in the report. I don't come from that sector; I can't speak to it. But what we've seen at the hospital is that we are holding patients under guard because there's no access to the Thunder Bay regional mental forensics department. So it's not the proper care for that person at that time, and to have a policeman in the bed next to you makes the other person uncomfortable. Maybe it's the reality of the time and we need to change the way we look at it, but there are some aspects that need to be looked at.

In home care there has been some movement with the CCACs but it has created some gaps in the way we communicate between the hospital sector and the broader health care system.

We need action. I know that I've put in both sections that Kirby and Romanow said that we need proper action. We need it now. We can't sustain these systems. I'm making decisions on staffing day to day. Last weekend I was called at home to make sure that a housekeeper who was sick could get replaced and I said, "No, I don't have the money in the budget, so just cut back; see what you can do. Call me on Sunday morning." On Sunday morning I got the phone call again. So I'm on call 365 days a year to deal with minute financial issues because we have no flexibility left in our system.

Accountability is a delicate issue. We're doing more accounting than I have ever seen, but I don't know if that has really increased the accountability of our system at my hospital. We are doing some changes at the board level, we are doing some changes at the management level to really start to put some of these checks and balances in place, but if we are expected to deliver a certain amount of care and we're expected to deliver it on last year's budget, as is being recommended by my budget brief this year, there's just so much you can do. There has to be accountability in paying for the service or allow us to cut services to be able to deliver an efficient service.

Long-term care has been a big issue with us. It's been an ongoing issue. Like I said, we're trying to build a 30-bed facility. It doesn't sound like a big thing, but it more than doubles the size of my institution. The Ministry of Long-Term Care redevelopment office specifically wants us to do it within the mandate of \$75,000 per bed. We're probably reaching close to \$300,000 per bed. The funding formula that's standardized across Ontario just doesn't recognize the building cost and the relocation and all of the costs that are associated with capital building up here. The Ministry of Northern Development and Mines used to fund at five sixths, and now I'm looking at 48% funding from them on their expected—but when we

go to the drawings and start tying in our hospital systems to try to deliver a unified system, again, they want to see it isolated, with the funds isolated and the kitchen isolated. They want two kitchens in my facility. It's a 23-bed facility. Those are some of the difficulties we're seeing, and it comes down to funding.

Children's services and palliative care are two of the things in which we're seeing an increase. When a palliative patient comes into my hospital, because they're palliative, they don't need intervention, meaning that that visit will be rated very low on the funding formula. When I report that to the ministry, they say, "Why did you spend money on a nurse for three days of one-on-one care for that person?" They didn't need medical intervention. They needed their hand held and they needed the family to be comforted, and we can't deliver that. I understand that some of the big places are running beyond maximum capacity. I'm seeing that in Thunder Bay. Last month I was down to 25% capacity in my acute care wing, and last year in the same month I was at 120%; I had three people in the hallway. So there is very little for us to be able to manage on the microsystems that we have.

The northern Ontario perspective: I believe we need reasonable access to the reasonable care we deserve. I'm not saying CAT scans in my institution; I realize that's unreasonable. But we're having difficulty in accessing the Thunder Bay Regional Hospital right now because of capacity issues. We're trying to settle for just having access to the diagnostic, because they are a referral hospital. If they could just diagnose the patient and send them back, we'll take them back. We'll gladly take our patients back, but we need a proper diagnosis so we can manage the care properly. The physicians feel very uncomfortable doing a trapeze act without a net. That's essentially what they're doing.

Back to the economy of scale: as I touched on earlier, in videoconferencing, Cancer Care Ontario has now changed their funding formula to a fee-for-service system. We don't see enough to make it cost-effective. Please allow me to cut it out. I just can't continue to provide these services and be able to be accountable for the money.

Human resources and geography: I'm sure you've heard enough about that.

The small hospital system: the way I see it, in the 5,000 catchment area that I have, the hospital should become a one-stop centre for health care. Public health should be affiliated, mental health should be affiliated, and a bunch of the peripheral health care with a big H should be affiliated with the system and not necessarily have all these gaps created because of funding silos.

Isolation of the funding silos: I've just given back my ambulance department. We ran it efficiently for two years, and now I've got to give back \$65,000 because I didn't use it. What a silly way of funding. I wasn't allowed to transfer the money I had in the bank to other operations within the hospital that were not as efficient that year. Secondly, I'm seeing that's going to happen to

our clinical lab, and possibly digital imaging, down the road. The lab is probably going to be isolated from my funding this year and probably will become an isolated fund. I won't be able to transfer those funds over. If I have a person sick for longer than expected in that department, I show a deficit. How can I be accountable when I have no flexibility to move funds back and forth between the silos?

Since I went into health care in 1986, I've seen a migration away from global funding toward fee-for-service in the funding formula. That just has some dire effects on microinstitutions like ours. We just don't have any flexibility to plan, develop and continue to keep up our standards.

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Closing remarks: we need action more than money, actually. That's something you're probably happy to hear. We need action on the health care level. We need to address the recommendations of the Romanow and the Kirby reports and the gaps that weren't necessarily looked at in there. I don't know what their original mandate was, but they looked at the hospital health care sector but not the rest. We need an injection of cash to sustain the present system. I've got an operational budget of about \$3 million. I'm going to show a real-money operational deficit this year of about \$300,000, and with depreciation and all that, about \$500,000 because of the inflexibility of the system.

We need to address the northern Ontario issues. I think videoconferencing was a great leap. I think there were discussions around restructuring to try to get a unified health information system across the North Shore. It would be a great thing. All our patients come to Thunder Bay. Put it in Thunder Bay, make it accessible to Thunder Bay or reduce duplication; reduce coming back to Thunder Bay. Change some of the ways that specialists are having to see their patients. I come up here for a specialist's visit: "Oh, you need an MRI." You go get the MRI, you go back to Terrace Bay, two hours away, and then come back two weeks later to hear that there was nothing on the MRI. There have to be ways that can be done through videoconferencing and our family physicians.

The Vice-Chair: Thank you very much for your presentation. Unfortunately our time is up and we don't have any time for questions, but I want to thank you very much. I'm sure that if you want to talk to some of the members privately afterwards, there will be an opportunity to do that.

LAKEHEAD REGIONAL FAMILY CENTRE

The Vice-Chair: I call forward next the Lakehead Regional Family Centre. Welcome to the standing committee on finance and economic affairs.

Mr Tom Walters: Thank you. Can I use the overhead?

The Vice-Chair: Provided we can hear your voice while you are speaking. If we don't, it won't work. You

might want to sit down in that chair to your left there and speak into that mike.

Mr Walters: It looks to me like it's not going to work. I'm not going to use this. I'll just speak to you. You've got the slides.

The Vice-Chair: First of all, please identify yourself for the purposes of our Hansard record.

Mr Walters: My name is Tom Walters. I'm the executive director of Lakehead Regional Family Centre. I was to be here with my board president, Evelyn Bradley, but she unfortunately had a family medical issue she had to deal with, so she's not here and I've been asked to do this.

I'd like to speak with you today to give you some understanding of issues facing the children's mental health sector in Ontario. There are approximately 90 children's mental health centres in the province which serve somewhere in the neighbourhood of 12,000 children and families who are suffering from emotional, behavioural or developmental kinds of issues. We are one of those centres and we face a number of issues we'd like to highlight for you. I'll talk a little bit about the things we've done and a little bit about what kind of help we hope we can get from you.

We belong to Children's Mental Health Ontario and are an accredited non-profit centre. We work within the district of Thunder Bay, which is a fairly huge geographic area. We are one of three agencies in this district that provide services to children and families with mental health issues.

I've highlighted in here the range of services we provide. We're pretty much within the city of Thunder Bay, with the exception of Dilico child and family services, which services mostly aboriginal families. We're pretty much the only show in town and provide everything from an intake and brief service approach to an early intervention and prevention program for children as young as six. We have a child and adolescent treatment program which deals with children and their families from six to 18. We have a clinical court service that provides support to the child welfare and young offender system. We provide three residential homes for intensive treatment of children. We run four day treatment programs, in partnership with the Lakehead board of education. We also have a program we run in partnership with St Joseph's Care Group through the Sister Margaret Smith Centre, which is a new experience. It is a program for children and youth with substance abuse problems and mental illnesses.

We also are a partner with a number of other organizations in delivering rural and remote services through the integrated services for northern children program.

Last year we served over 2,700 families. For us, that has been an increase of 150% since 1995. When I first came to Thunder Bay, which was approximately 15 years ago, we were serving about 1,000 families with a lot more staff. Our example is very indicative of what's happening with a number of children's mental health agencies: we've gotten a lot more efficient and effective

in the way we treat people because we're doing a whole lot more with less. Right now, we have a waiting list of approximately 200 families waiting for help. Across Ontario that's close to 8,000.

We have a wide multidisciplinary staff—I've listed it here for you to take a look at—and our whole focus is on providing a comprehensive model of care for children. We get most of our referrals from sources like doctors, social service agencies, child welfare, young offender services, courts, probation, schools and hospitals, and children over 12 can refer themselves to us. So we are connected to many parts of the system.

I want to point out for you some really key things in terms of interesting facts. There was a landmark study done by Dr Dan Offord from McMaster University when I first came here in 1988. It was an epidemiological study that was done across the whole of Ontario. At that time, 18% of the children in Ontario had a diagnosable mental health disorder. Unfortunately, at that time—and I think the statistics are the same today—only one in six of those children will ever get the kind of help they need. It certainly is true for our organization as well. We feel we're hitting perhaps one in five children who really need the help they should be receiving. I think that's also the same across Ontario.

A study by the Canadian Mental Health Association, Ontario division, found there was an annual loss to federal and provincial governments on the magnitude of \$1.9 billion from failing to treat these children early on, when you looked at years of services that were lost and people being productive citizens. I think that's the key point I want to leave with you.

A centre like ours is really dedicated toward keeping families together, keeping kids in school, stopping them from going into child welfare services and keeping them out of prison. If we're not able to do the work we need to do, then some of these children will cost tremendous amounts of money to the overall system. For example, if we put a child in a young offenders' facility or, if they go on and they're adults, a prison, we're looking at \$45,000 to \$100,000 a year. We estimate it costs somewhere in the neighbourhood of \$2,500 for a family to be working with us for a year. I think the figures speak for themselves.

The current issue we're facing—and I know this is the same across Ontario—is that we're finding an increasing demand for help from our consumers and from the community. The social service network across this province is intertwined, so that child welfare services, schools, doctors, hospitals, children's mental health—if you make a change in one part of the system, it reverberates through the rest of the system. With changes in the child welfare system and their becoming much more tight in their mandate around protecting children, a lot of people have started to come to children's mental health centres for assistance. As schools have cut out special education services, they've come to us for help. As hospitals aren't able to deal with kids in emergency, they refer them to us. We're finding a huge demand—and I've laid out

some of the statistics for you—and we're also noticing that the severity of the problems children are coming in with is getting bigger and bigger. In the pamphlet I've given you, you will see on the back cover some statistics that overview for you the kind of increase in service volumes and the kinds of issues we as a centre are facing. As I said, this is indicative of other centres in the province.

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We've also noticed that trying to deal with hard-to-serve children in the service system is increasingly a real problem for us. I can tell you that in the Thunder Bay district there are six children right now who are out of region, at a cost of \$500,000. We're working with the service system and with the ministry to try to bring those children home, to have the services here for them, because all we're doing is sending the problems away, and they come back and repeat themselves.

I have to praise the government on something here; Michael won't like this, but I'm going to do it anyway. This government has provided more money for children's mental health than any government in the 15 years I've been in my job, but they've done it with strings attached and they've done it through a funding formula that particularly biases places like northern Ontario, because it's based on population. Quite frankly, northern Ontario loses out every time when that happens. So we get little smidgens of money to do new projects and they come in little silos, with expectations that we're supposed to report on each of the little silos. We also don't get any administrative infrastructure to cover it: "Just suck it up and find ways to continue to run it." It's going to break down, folks; it's not going to work.

The other thing, and probably the most important perspective for me, is that for the last decade the children's mental health sector and other social service sectors have received a 2.5% increase to their core funding. My costs have gone up 12% to 15%. I have a unionized environment. I recently settled, in September of last year, a collective agreement for three years, and we gave the worthy sum of a 5% wage increase over three years to our staff. We got nothing from the ministry. It's somewhat hypocritical to me when I see government handing out somewhere in the neighbourhood of 10% to 11% to settle their labour issues so they can buy wage harmony with their labour force and giving the health care sector somewhere in the neighbourhood of 11% to 12% so they can buy harmony with their labour force, and we get zip. That's going to break down.

I'm one of the 10 bigger centres across this province. Our organization is faced with making service cuts in the next two to three years in the magnitude of \$600,000—about 10% of our budget—to be able to face the issues we're facing, and there's no money coming. The same thing is happening in other parts of this province. I had a meeting last week with the executive directors of 10 of the larger centres. They're all facing service cuts next year unless there is additional money brought into the system.

While I recognize that governments have to make choices around priorities, if we don't invest in our children and we don't invest in helping them get back on the road to recovery and we don't keep them in school and we don't keep families together, believe me, you're paying the price anyway.

We've also noticed that besides wage settlements we have increasing costs in benefits. We belong to the Hospital of Ontario Pension Plan. That's sort of an anomaly; we ended up birthing from the Lakehead Psychiatric Hospital and kept those benefits, and it's been a blessing in disguise. This year alone, because of the stock markets and everything else, HOPP has announced that we will have to pay an additional \$135,000 on an annualized basis. Where does that come from? Somewhere in my budget.

Across Ontario, we've noticed that in children's mental health sectors there's approximately a 30% differential between our sector, the health sector and the education sector for the same kind of professionals we've outlined here for you: psychologists, social workers and so on. In some parts of this province there's a 40% turnover in terms of staffing, particularly in southern Ontario. In northern Ontario there aren't that many jobs, so I'm not having quite the turnover—ours is about 10%—but I am having key people who have been with us for a long time looking at us and saying, "Do you know what? I can't afford to work for you any more. I'm going to go and get paid what I'm valued and what the market rate is." That's what is driving some of the changes. That's why we settled with our staff and tried to up our rates so we are more competitive in this marketplace, because we were losing psychologists, we were losing social workers, we were losing the people who really are there to give the help.

I'm going to switch forward here. I'm conscious of the time, and I know you folks want to go for lunch.

I've outlined here for you what we have done, and one of the key things we have done is a lot of advocacy at the local level. But we have also worked with our provincial association on a revitalization proposal that is apparently going to Management Board of Cabinet some time this month or in March. It's a \$50-million revitalization proposal, with 60% of it going to the core funding issues I talked about and 40% for new initiative money for dealing with service demands that are there. The kinds of things you can do to help: if you are at all able to push for that proposal to be given consideration, I certainly request that of you.

While I've worked in the mental health field for almost 27 years, I've been a provincial bureaucrat. I was director of mental health services in the province of Manitoba. I've been on the national board of the Canadian Mental Health Association for a decade. I've worked in mental health services all my life. I believe in it passionately and I believe that the greatest kind of investment we can do to work on mental health.

I plead with you to make mental health and children's mental health a higher priority, because these are the

citizens of tomorrow. These are the people who will be leading our country. If we don't give them the help they need, they will become a drain on society and not a help.

Those are my comments. I thank you for the opportunity to meet with you. I'll be happy to answer any questions you have.

The Chair: Thank you, Mr Walters. That leaves us with a little more than a minute and a half per caucus. We begin with the government.

Mr Sampson: Thank you very much for your presentation. As a previous Minister of Corrections, and there's another one across the floor here as well, you don't have to tell me about the issue of children's mental health. I think we saw, or I saw certainly, a lot of the unfortunate results of that in that system.

On the funding formula, I come from an area of the province of Ontario that actually wants us to go to a funding formula that's based upon population. I don't know if you've heard the issue around Peel's fair share task force.

Mr Walters: I absolutely have.

Mr Sampson: Yes, so I say to the members over there maybe that's not the only criterion by which we should hand out money.

Mr Walters: Would you like to hear some others?

Mr Sampson: I think what we need to do is find a smarter way, other than last year's budget plus or minus a number, to allocate money. I'm not convinced that the sole calculation of population, just head counts, is the way to do it either. There has got to be a better way to assess needs and the ability to deliver the services and test whether or not indeed the services are—you can say, "This is what I thought I was going to get for X million." I think we need to be fair to the taxpayer and a year or two years from now, say, "Did you get what you thought you were going to get for \$10 million? Yes or no?" If not, why? If yes, can you do that in other areas of the province that maybe didn't get that? Whatever you can do to help us on a better way to allocate scarce resources, it would be appreciated.

Mr Walters: If I could speak to that, I think there are a number of things that probably need to be taken into account in terms of a funding formula. I believe population should be one of the factors in there. I'm not totally opposed to that. I know the Peel area in particular, with the population increase in relation to immigrants and the corresponding problems that come with that—I've certainly talked to Humphrey Mitchell and there are a number of times he and I have shared all kinds of discussions on that.

You've got to balance it with looking at some things like the risk factors that are there in different parts of the province. I know northern Ontario has substantially higher risk factors when it comes to things like crime rate, substance abuse, so on and so forth. So I think that needs to be one factor.

Another factor that needs to be taken into account—and this would apply to southern or northern Ontario—is geographic size. There are basic infrastructure issues that

you have to address if you're going to run a common service with some basic kinds of things there. A good example is that if you need a district office in Geraldton, which happens to be four hours away from here, and another one in Marathon or Manitouwadge just to be able to deliver services, somehow that's got to be taken into account, because if it isn't, the service system doesn't have the capacity to respond.

The other kinds of things I think you need to take into account when you're looking at this, besides population trends, are basic infrastructure costs. What does it cost to have a building with social workers? Maybe we don't need buildings with social workers. Maybe we need to have new and innovative models that address that in terms of efficient use of funds, and I'm quite prepared to look at that.

We certainly need to be looking at outcomes. I agree with you 100% on that. Are you getting any bang for your buck? Are we making a difference in the lives of any children? If we're not, then yes, you have every right as a government to hold us accountable for why we're not doing that or to give you a better way of doing it. We're starting to introduce some systems now that I think are going to give that kind of data.

The Chair: We're going to move to the official opposition.

Mr Gravelle: Thank you so much, Tom, for coming here and making an excellent presentation. You do extraordinary work, considering the challenges. You're certainly right about the need to factor in regional offices, the children's aid society being a good example. They have regional offices in Marathon and Geraldton, but they don't get funded for them. They actually have to fund them from within their operating budget, which is absurd. So it's something that needs to be addressed.

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I want to ask you specifically, though, about the LRFC's deficit. You've had a caseload increase of 150% since 1995. You fought against a deficit for a long time and finally had to incur one; now I understand you have to find a way to deal with that. That strikes me as wrong. The deficit was incurred as a result of the work you had to do to help people. You have a waiting list. How can you do it? Tell me how you can actually take 10% of your budget and cut it back when indeed the needs are increasing. That just seems wrong to me. It seems to me that you shouldn't be asked or forced to do it when indeed the money was spent on services that were being provided to the clients you're supposed to be helping.

Mr Walters: I wish my board member was here to speak to that, because it's the community members on our board of directors who are being faced with making those difficult decisions. I'm basically going to them as an administrator—that's my job—and saying, "If you want to cut, here's where we can cut, and here are the implications"—and there are some pretty serious implications. Because if we cut, and after a while the downloading stops, who's going to pick up the issues that

are there? Who do we say no to? That's the dilemma the board is facing.

The Chair: We move to the third party.

Mr Christopherson: Thank you for your presentation. Certainly, again, this is not the first time this has come up. If not in this round, then certainly I suspect in the next round of prebudget consultations if there isn't money in the next budget to address this, people are going to start using the word "crisis" a lot more than maybe they have. They're reluctant to do that, because that has certain connotations.

Obviously, with a 150% increase since 1995, your caseloads are going through the roof. You also note that 18% of children in Ontario have a diagnosable mental health disorder. One, I wondered if there is any variation to that number vis-à-vis the north. Second, do you face any unique administrative challenges in addressing children's mental health in the First Nations community, recognizing a lot of the cultural differences and sensitivities there?

Mr Walters: Specific to the 18% figure, there was some variability in that study. It ranged from 16% to 20% across Ontario. It was 18% specifically in the north. I think in southern Ontario it was slightly higher, around 20%—so roughly one in five children. It hasn't changed much there.

In terms of dealing with aboriginal children, yes, there are very sensitive issues from a cultural perspective to deal with. In this area—and this is probably one of the other issues that faces northwestern Ontario—there's a separate organization, Dilico Child and Family Services, which provides a broad range of integrated systems, including child welfare, children's mental health and substance abuse treatment. They are doing a good job in delivering culturally appropriate services. At times, we do get some.

The big issue facing us is that when we look at it from a policy perspective, the policy of having some basically separate service systems is supported by the ministry, but the funding doesn't follow. In other words, when we get looked at as a northern region the costs are higher than other parts of the province on a per capita basis. But nobody has factored in the fact that they have decided, on a policy basis, to have separate service systems, to some extent. While I work with Dilico and they work with us, primarily they do that. But that's another issue in the funding formula. If you're going to have a policy that says, "We're going to have the First Nations deliver some of their own services," then cut us some slack on the other side, and don't tell us we're overfunded on a per capita basis, because that decision has been consciously made.

The Chair: Thank you, Mr Walters. We appreciate your input today. That concludes your time.

THUNDER BAY LITERACY GROUP

The Chair: By unanimous consent, it was agreed that we would permit a 10-minute presentation from the

Thunder Bay Literacy Group. Please come forward, madam. You have up to 10 minutes. If you leave any time, then we'll use it for questions. Please proceed. Welcome.

Ms Jean Fairbairn: Thank you very much for allowing me to speak today. My name is Jean Fairbairn. I'm the executive director with the Thunder Bay Literacy Group. I probably won't take 10 minutes, because I just put this together rather quickly. Forgive me if I'm reading.

The Thunder Bay Literacy Group is a non-profit organization and a registered charity which was incorporated 20 years ago in Thunder Bay to address the literacy needs of adults in Thunder Bay and to raise awareness about adult literacy issues.

We provide one-to-one tutoring to adults in Thunder Bay who need upgrading in basic reading, writing and math skills. This is provided with the use of trained volunteer tutors. We also offer small group instruction in our organization to a maximum of eight adults at one time. Instruction is provided by an instructor with the assistance of volunteer tutors. We also offer workshops on clear language and design. We review and edit documents for organizations in the community and elsewhere and provide document readability assessments on a fee-for-service basis to augment our budget.

Our recruitment and training of volunteers is ongoing. People come and go, so this is an activity that we are constantly involved in. Our instruction is learner-centred. Each adult student has an individual training plan that is developed with their goals in mind.

We receive funding from the Ministry of Training, Colleges and Universities for this service, and that funding has been approximately \$60,000 per year, give or take over the last few years; there have been slight changes to that. The \$60,000 a year represents approximately 55% of our annual operating budget. In the past, the ministry used to require a budget with our business plan or our application process. That is not the case any longer. It's a funding formula and costs are not taken into consideration when we submit our business plan.

Letters have been written by our volunteer board of directors and in fact the honourable Michael Gravelle also wrote on our behalf to the minister, requesting funding that would actually be closer to what our program budget costs are.

This is a quote from the letter we received from the ministry:

"The funding allocated to your agency for 2002-2003 (\$60,000) for the level of service is within the literacy and basic skills funding range as charted in the guidelines. If the funding provided covers a 'maximum of 55% of the cost of delivering committed contact hours,' may I suggest that you begin to consider some cost efficiencies, for example begin to explore possible partnerships with other literacy and basic skills delivery agencies in the Thunder Bay area."

Other LBS service deliverers in this area would be the school board, the college; there's a native program, a

deaf program, and a francophone program. I have raised this issue at our literacy service planning meetings that we attend. Unfortunately, no one is in a position to share resources with us; everyone is funded basically less than what the cost of delivery is and some of the programs have had the benefit of the support of the college. They don't have the same expenses that we have in terms of being a stand-alone organization. So, regardless, cost efficiencies have not been—we've explored it but we haven't found the solution in that area.

The ministry provides funding to the three sectors: school boards, community colleges and the community-based sector. We feel that to apply the same funding formula to the three sectors is unrealistic. The community-based sector has costs not associated with the other two delivery sectors. Our focus is on one-on-one instruction. Even in the small group setting it's focused on one-on-one instruction. But we're judged on our cost per contact hour to deliver instruction on the same basis as the college and school board sector, which delivers instruction to large groups with one instructor as opposed to a number of instructors.

The ministry funding pays for 31 salary hours per week in our program. We're open for 48 weeks of the year and 31 salary hours per week are funded. Previously, the organization was staffed five days a week, 35 hours a week, by two staff people. We now have three people working 90 hours per week. The ministry is paying for 31 of those hours and our organization fundraises to maintain the remaining staff hours. It would be impossible for us to deliver our program at 31 hours per week. The expectations of the ministry are fairly high in terms of ongoing assessment and developmental demonstrations that students are making progress. At 31 hours per week we wouldn't serve any purpose whatsoever. We're fortunate to have a committed volunteer base and a committed staff who are prepared to fundraise and augment the funding provided by the ministry because they believe in the service we provide and they believe in its necessity.

The community college base in Thunder Bay does not provide students instruction at the lowest literacy level, which is called level 1; there are five levels within the LBS program. They recognize that students who are functioning at level 1 do not make progress in a classroom setting; they require the low student-instructor ratio in order to make that initial progress. So they refer people to us for that level.

The ministry has consistently said they support delivery by all three sectors, but unfortunately they are using the same measuring stick in terms of, "How many contact hours are you delivering? What is the cost per contact hour?" The school board and the college provide classes five days per week, 25 to 30 hours per week. I think, of instruction. In our program, with volunteer tutors, people meet on a one-to-one basis either once or twice a week for a maximum of six hours per week. In a small group setting, they attend two half days per week; occasionally people come two full days per week. So the

amount of instruction that people are receiving on a weekly basis is considerably different than it is in the other two sectors, and yet the same measuring stick is implied in terms of how quickly progress is being made and how many contact hours are being delivered, when it's obvious that the frequency of instruction is going to impact on the level of progress, as well as the fact that the people we are dealing with, who require the one-on-one and require that low ratio, are generally coming to us at a lower level of literacy skill or because of other issues, such as learning disabilities, that require them to work in a small group setting or on a one-to-one basis.

We're happy that the government has been committed to delivery across the three sectors and recognizes that these three different types of instruction should be available to adults who want to develop these skills, but we'd like to see some change in terms of how those skills are analysed and, realistically, in terms of taking into consideration that frequency of instruction is going to impact on the rate of progress.

In previous years, ministry applications required us to identify what percentage of our operating budget was covered by ministry funding. That question is no longer asked. Unfortunately, it almost seems as though the ministry has now taken the impression that they are funding 100% of our costs, because our volunteer board of directors is required to sign a schedule B, a contract guaranteeing to deliver X amount of services, when the funding only covers 55% of the costs. This, I think, is an unfair request of volunteer members of our board, to sign in advance of having successfully done the fundraising. If they are required to fundraise 45% of the delivery costs and they sign a contract prior to raising those funds, it impacts on our ability to maintain people on our boards.

The Chair: Would you please wrap up, ma'am.

Ms Fairbairn: I guess what I'd like to say is that if the ministry and the government are committed to having all three sectors funded, we would just request that there be some more realistic evaluation of the services provided by community-based programs and the costs involved in delivering them.

Are there any questions?

The Chair: Thank you very much. No, that concludes your time.

Ms Fairbairn: Was that 10 minutes? OK.

The Chair: We appreciate your input and we'll take it into consideration. Thank you.

This meeting will stand recessed until 1 pm.

The committee recessed from 1214 to 1302.

KINNA-AWEYA LEGAL CLINIC

The Chair: The committee on finance and economic affairs will please come to order. We have five presentations this afternoon, and it would be nice to be on time to catch our flight on schedule. Our first presenter is the Kinna-aweya Legal Clinic. Please come forward. You'll have up to 20 minutes, ma'am. If there's time left over

from your presentation, then that will be available for questions. Welcome.

Ms Sarah Colquhoun: Thank you. Good afternoon. My name is Sarah Colquhoun. I'm the coordinator of legal services at the Kinna-aweya Legal Clinic in Thunder Bay.

The Kinna-aweya Legal Clinic is funded by Legal Aid Ontario to provide poverty law services to low-income people in the district of Thunder Bay. We focus primarily on income maintenance issues and tenancy matters. In addition to providing summary advice and ongoing assistance, we do community legal education and law reform work, trying to help our clients find systemic solutions for problems that many face with respect to the social assistance system and housing issues. Those are the two things I'd like to speak with you about this afternoon.

Our clients are for the most part people who are on social assistance. They are struggling to survive on very low incomes. It's a struggle that is becoming more and more desperate.

By and large, social assistance recipients are not a vocal constituency. Because of the demonization of people receiving public assistance, many recipients are deeply ashamed that their circumstances have forced them to rely on welfare or disability benefits. I can't tell you the number of times that people have sat in my office and said, "I know that lots of people cheat on welfare, because that's what I read in the newspaper, but I need this. I can't work right now and I'm not getting enough money to pay the rent and feed my kids." Because of what they hear, because of all the myths about social assistance, they think they are in the minority, whereas in fact they are in the majority. The majority of people on social assistance are hard-working people who are trying to get by. They don't need to be motivated by compulsory work-for-welfare schemes.

In addition, people who are struggling day to day to pay the rent and feed their kids don't have any energy left to be political. They're not in any position to speak publicly about the debilitating effects of trying to cope with not having enough money to pay for basic necessities.

Our office has taken this opportunity to speak on behalf of our clients and on behalf of social assistance recipients, and to urge this committee to recommend an increase in spending in social assistance and housing in the coming budget.

The first issue I'd like to touch on is adequacy of social assistance.

Nobody chooses to be on welfare, on Ontario Works or ODSP. It is an income of last resort, the bottom of the safety net. People aren't using that income because they want to; they are using it because they need to. Program changes in recent years have tightened eligibility requirements to the extent that there are now many people in need, who have no income and no assets, who are still not eligible for benefits. You see them on the streets in Toronto and on the streets in Thunder Bay. Everyone

who is receiving benefits has been pre-screened and screened; they've provided written verification for all the things they have to provide written verification for. They've provided their social insurance card, their health card and their children's birth certificates. They've provided rent receipts or some confirmation of how much rent they're paying and where they're paying it. They've provided their bank records and their income tax returns. They've provided lots of paperwork. They are accepted to be eligible for benefits, and yet the benefits they receive are hopelessly inadequate.

Social assistance benefits payable through Ontario Works do not give people enough money to meet their basic needs. The amount a single person receives is a maximum of \$520 per month. It's not enough to pay rent and buy food, let alone provide for other necessities like clothing, transportation and a telephone. A telephone is a luxury now for low-income people. It's not a matter of budgeting more carefully. There simply isn't enough money in the budget. It's inadequate.

A single person in Ontario gets up to \$325 a month for shelter and \$195 for all other basic needs. The average cost of a one-bedroom apartment in Thunder Bay is \$529 and, as you've heard, it's far higher than that in other areas of the province. But in Thunder Bay a \$529-a-month, one-bedroom apartment is more than the maximum budget for a single person. If you're a single person, you've lost your job and you don't have employment insurance benefits, you can't afford to keep your one-bedroom apartment. You lose your stuff because you end up going to the emergency shelter or you're into a rooming house. Even a room in a rooming house costs more than \$325 a month, which is the most you can get for shelter.

The cost of a healthy diet for a 45-year-old man in Thunder Bay is \$197 a month. I defy any of you sitting here to try to eat a healthy diet for less than \$200 a month. In any case, it's not possible for somebody on Ontario Works because they don't get \$197 a month for food. They get \$195 for food, clothing, transportation, everything other than rent. So it's simply not possible for a single person on welfare to maintain housing and eat a healthy diet, let alone try to look for work, have transportation money to do a job search, produce resumé's and have a telephone so people can call back when they're looking for work.

Bear in mind that we're talking about people who are acknowledged by everybody to be eligible for Ontario Works. We should be paying them enough money to maintain a healthy life. The amounts paid for shelter are hopelessly inadequate. I've given you the numbers for single people, and it's just as bad for families. They are hundreds of dollars less than the average cost of housing everywhere in the province.

The rate cut in 1995 was devastating for recipients, and in the seven years since the rate cut there hasn't been any increase, despite steady increases in the cost of living. So there's been a further erosion of the value of benefits. The government line, when they cut benefits in

1995, was that they were going to set the benefit rate at 10% above the average of the rates for other provinces. That number is absolutely meaningless if you don't do any kind of analysis of the cost of living in Ontario, and whether the amounts provided allow recipients to meet their basic needs. It's just a number and it means nothing. The rates should be set by looking at the cost of a healthy diet—and all those numbers are available. The Thunder Bay District Health Unit can give you the amount for a healthy diet for families in Thunder Bay, and that's by actually going out to grocery stores and pricing things. The Canada Housing and Mortgage Corp can give you the average cost of housing in Thunder Bay and everywhere else in the province, and it's far higher than the rate that has been set for Ontario Works.

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There have been all sorts of reports outlining the devastating impact of the rate cuts and the devastating effect on families that are trying to subsist on absolutely inadequate incomes. The use of food banks has steadily increased. Emergency shelters are bulging at the seams everywhere in the province. These are people who are temporarily out of work; they can't find work. They're involved in participation requirements through Ontario Works—everybody has to do something for their cheques nowadays. These are people who are complying; they're doing everything they're asked to do. They're trying to find work; they can't find work. They may be temporarily unemployable because of health problems. I could give you many examples.

We had a client who had always supported herself as a waitress. She had health problems. She had to have surgery on her knees. She went on employment insurance and it ran out. She had no other health benefits and applied for Ontario Works. She was told she's going to get \$520 a month. Her rent is \$400 a month. She said, "How can I live on \$120 a month after I've paid my rent?" The answer to her was, "Well, move." Where in the heck is she going to move in a community where the average cost of housing is \$150 more than she's paying? She's only paying \$400 a month for rent. She couldn't move. What would happen to all her things?

People are being driven to desperate straits because of the low rates of social assistance. The first recommendation we would like to make to the committee is that the budget provide for an increase in benefits generally available to recipients of social assistance.

Child poverty: poor children live in poor families, and so obviously increasing the rates of social assistance generally will help deal with child poverty. But something else the government could do that actually wouldn't cost them anything is stop the clawback of the national child benefit supplement. In 1998, the federal government tried to do something about child poverty by increasing the child tax benefit and introducing a new supplement, called the national child benefit supplement, to give low-income families with children maybe another \$100 a month per child to try to meet the expenses of raising those children. The province has taken that

benefit away from the poorest children in Ontario, because it is deducted dollar-for-dollar from their parents' social assistance cheques.

So if you have a single parent with one child and she's working and making \$20,000 a year, she gets an extra \$100 a month from the federal government in recognition of the importance of maintaining a standard of living for children. But if that same parent lost her job and was on Ontario Works and getting less than \$12,000 a year to raise her child, she would not get the \$100-a-month supplement. There's report after report detailing the painful choices made by parents on social assistance: whether to pay the rent or the utility bill, or keeping children home from school because there's no food to send for lunch. Stopping the clawback of the national child benefit supplement would be a simple way for the government to help alleviate the dire poverty in families on social assistance.

Homelessness is increasing across the country, and reliance on emergency shelters has increased in Ontario to a frightening extent. I know this committee has heard from a number of other presenters with respect to the issue of housing and the need for more affordable housing in the Ontario. The long-term goal of affordable, safe, secure housing for our families is dependent on all levels of government developing long-term housing policy. In the meantime, it's important that low-income families be provided with sufficient resources to secure adequate housing. Shelter costs are the most significant item in the budget of most families, including families that depend on welfare. Rates vary across the province, but amounts available to social assistance recipients are inadequate everywhere. The shelter subsidy amounts are simply too low, and they should be increased.

Our legal clinic provides services in tenancy law. Prior to the welfare rate cuts in 1995, having a client who was being evicted from subsidized housing for nonpayment of rent was rare. Unfortunately, we now see it every month. At the Ontario Rental Housing Tribunal there are people who are facing eviction from subsidized housing. They can't manage to keep their rent current because there's been some kind of emergency or something has happened and they've had to redirect their rent money to some other payment—to fix the fridge or buy new shoes or pay a utility bill—and there isn't enough money in the budget to scrimp and save and catch up. There just isn't enough money; there's no way to catch up. There are dozens of families in Thunder Bay and thousands across the province who have been evicted from their housing for relatively low amounts of rent arrears that they simply can't catch up on, and there's such a shortage of affordable housing. There's a high vacancy rate in Thunder Bay—we're very fortunate—but it's in high-rent housing. People on social assistance simply don't get enough money.

The recommendations with respect to housing are to increase the shelter subsidy amounts for Ontario Works and also to fund new social housing and rent supplement programs, as has been outlined in other submissions

you've heard from the Ontario alternative budget and the Toronto Disaster Relief Committee, among other presentations I'm aware of.

We have some recommendations with respect to issues of violence against women, but I'm just looking at my time. I'd like to touch on the issue of the recommendations from the inquest into the death of Kimberly Rogers.

This is not the first inquest that has resulted in recommendations from the jury that welfare rates should be increased; there have been a number of inquests. So the conclusion you have to draw is that people are dying in Ontario in part because social assistance rates are so low. The most recent inquest was the inquest into the death of Kimberly Rogers, who died in Sudbury in 2001. She was under house arrest at the time because she had been convicted of fraud. After she paid her rent, she had \$18 out of her social assistance cheque to pay for all other expenses. This is a woman who was eight months pregnant and who had medical problems that also interfered with her ability to work. That's the situation she was in.

The jury heard evidence over a period of weeks. They heard all sorts of expert evidence about all sorts of issues. Their first two recommendations dealt with social assistance issues: first, to stop the lifetime ban for people who were convicted of welfare fraud. There's no reason that people who are convicted of fraud in relation to social assistance should be treated any differently from people convicted of any other criminal offence, and there's no reason to ban somebody for life who is in need from receiving the bottom of the safety net. There's absolutely no public policy reason for that, and the jury in the Kimberly Rogers inquest recognized that. Their second recommendation was that social assistance rates in Ontario have to be increased.

The amazing thing, really, is that more people haven't died. But if you go to Trinity Square in Toronto to see the memorial to homeless people who have died in Toronto, you'll see that for the 10 or 15 years they kept that memorial prior to 1995, there may be three or four names a year of homeless people who died in the city of Toronto. After 1995, suddenly it increased tenfold. There are 30 to 40 names a year of homeless people who are dying in Toronto. It's not a coincidence that 1995 was when welfare rates were cut 22% and it was made more difficult for people to get social assistance. It's a direct cause. People are dying in Ontario because social assistance rates are so low, and we'd ask you to recommend to the government that rates be increased.

The Chair: Thank you. That leaves us with about a minute per caucus. We'll begin with the official opposition.

Mr Gravelle: I almost don't know where to begin; there are so many issues. I certainly agree with you very strongly in terms of the obvious need to increase social assistance rates. I think the evidence is absolutely overwhelming, no matter what, with the cut and inflation. As you say, people are dying in the streets, and it's devastating.

I want to ask you, though, if I may, in the Kimberly Rogers inquest, the concept of a lifetime ban to me is just an extraordinary injustice from the point of view that nobody else in this province who commits a crime of any sort is left with that—

The Chair: Question, sir?

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Mr Gravelle: Let me ask you about ODSP, quickly. One of the things that disturbs me about the Ontario disability support program is how difficult it is for people to access it. I know you deal with a lot of clients on ODSP. Is it true that generally speaking about 85% are turned down the first time, and unless people have access to, say, Kinna-aweya Legal Clinic, many of them just simply fall away because they aren't able to get through the application process to access what should be there, which is the Ontario disability support program help?

Ms Colquhoun: That's true. There are thousands of people in the province who are having to appeal denials of ODSP, and those are the people who are fortunate to get through the process. There's a provincial coalition that's been trying to raise those issues provincially which met with the minister on January 27. Hopefully there's going to be some action taken on the issues of access into the ODSP program, because for single people who are not able to work because of medical problems, the difference between Ontario Works and ODSP is almost double. You go from \$520 a month to a maximum of \$930 a month, which in the long term and in the big scheme of things is also inadequate, but for somebody on Ontario Works it is life-saving sometimes.

The Chair: We move to the third party.

Mr Christopherson: Thank you for your presentation. Certainly it's similar to presentations we've heard all across the province in terms of the devastation that's been done by the cut. It's worth noting that at the same time period that the 21.6% cut took place there's been a 15% increase in inflation, and also during that time period this government saw fit to spend what is now \$14 billion a year on tax cuts benefiting mainly the very wealthy in this province. Here now, we've literally got people dying in our communities. It's obscene, quite frankly.

The Chair: Question, sir?

Mr Christopherson: My question is, given the fact that you note that the finance minister said the economy is growing, you will also note that she said she's in for more tax cuts. I just wonder how you feel about that as a priority. It's like two different worlds, two different universes that people live in.

Ms Colquhoun: It's all about setting priorities. As a taxpayer myself, I certainly would prefer to pay taxes and have services provided to people rather than having to pay user fees for everything. You just have to look at the auditor's report of the Ministry of Community and Social Services and the choices that are being made about where and how to spend money. They're spending hundreds of millions of dollars on a computer system that isn't very effective, when you speak with the people who deal with

the computer system. So I think that clearly there is money available to do this; it is just a matter of setting priorities.

The Chair: We move to the government side.

Mr O'Toole: Thank you very much. Your voice is important, and thank you for coming and bringing your concerns to our attention. I'm sure you deal with people who are vulnerable for a lot of different reasons. Certainly the government tries to create opportunities for people. That may not sound extremely good, but I think the million new jobs are important. With our working on that part of the equation there are fewer people in the situation you've described. It doesn't justify the people who are stuck there for whatever reason, and I understand that.

The Chair: Question, sir?

Mr O'Toole: One other question is, the number you use of 30 people a year in Toronto dying on the streets, is that actual—I've not heard that number before.

Ms Colquhoun: There's a memorial in Trinity Square—

Mr O'Toole: Yes, I know the memorial.

Ms Colquhoun: If you go and look—I counted the number of people. I'm not exactly sure, but it was around 30, between 30 and 40 last year, I believe.

Mr O'Toole: It's unacceptable.

The Chair: Thank you very much, ma'am. We appreciate your input to us today.

CITY OF THUNDER BAY

The Chair: Our next presenter is the city of Thunder Bay. If you would be kind enough to clearly articulate your name for the purpose of Hansard. Don't worry about the microphones; they'll be handled automatically. You'll have up to 20 minutes. Any time left over we'll have for questions. Welcome.

Mr Trevor Giertuga: Thank you. First off, I'd like to welcome everyone to our fine city, the city of Thunder Bay. My name is Trevor Giertuga. I'm a city councillor with the city of Thunder Bay, representing the McIntyre ward. To my left is Carol Busch, our manager of finance within the city of Thunder Bay.

First off, I'd like to thank the members of the standing committee on finance and economic affairs for travelling to Thunder Bay to conduct pre-budget consultations. This is a welcome opportunity to present the challenges and issues we face today and to comment on the fiscal and economic policies of the province. My presentation will highlight the main topics covered in our detailed written submission.

The city of Thunder Bay has faced many challenges over the years; however, this year's challenges are extraordinary. Many of the challenges are related directly to global economic factors. Some, however, are very specific to the city of Thunder Bay.

While wages have increased on average in the 2% to 3% range, benefit costs have continued to increase at rates well above inflation. Our 2003 budget reflects an

increase of 22% for health benefits, and an 8% increase for Canada pension plan contributions. In addition, OMERS contributions will be reinstated on a phased-in basis, resulting in operating budget increases of approximately \$2 million annually for the years 2003, 2004 and 2005. Retirement costs, largely a result of the early retirement option made available through OMERS, have also continued to increase.

The overall cost of purchased goods and services required by the city continues to increase. Most notably, energy costs have seen large increases in the last year. The city of Thunder Bay purchases approximately \$4 million litres of gasoline and diesel fuel annually. Needless to say, any increase in gasoline and diesel fuel prices will have a significant impact on the operating budget for the city of Thunder Bay. As a means to contain costs, the city is a member of the Lakehead Purchasing Consortium and participates in the direct purchase of natural gas and realizes economies of scale through bulk purchase of other commodities.

There has been a tremendous decline in traditional industries within the city of Thunder Bay. Once the world's largest grain port with 27 elevators and a capacity for 17 million bushels, today there are only nine operating elevators with a volume of 5.5 million bushels. The condition of the abandoned elevators poses environmental concerns and represents an extreme danger to the public and emergency workers. The latest elevator incident involved a fire at the Riverside Grain property, now owned by the crown. As a result of the massive fire, parts of the structure continue to collapse during strong winds. Despite the unsafe condition, the province fails to make funds available to remedy the problem. The city strongly feels that the crown has an obligation to protect its citizens from harm on property that it owns, and provincial funds need to be set aside to address these concerns.

Since 1991, 3,740 manufacturing jobs have been lost, representing a 34% erosion of the most important component of this community's economic base. However, the most significant employment loss has been in the government sector. Such losses hit this community particularly hard, since the loss of these positions also resulted in the loss of community leaders and volunteers.

Over the last few years, many municipalities achieved balanced budgets through financing capital projects from reserves and reserve funds. Likewise, in Thunder Bay uncommitted capital reserves have been depleted to the point where opportunities that existed in the past to fund capital projects no longer exist to the level they had in previous years.

The city of Thunder Bay has responded to the combined pressures of growing responsibilities and costs, scarce resources, and public scrutiny by focusing on cutting costs and holding the line on tax increases. While the consumer price index has increased approximately 20% in the last 11 years, the property tax rate has increased only 11% over the same period. The city of Thunder Bay also increased its capital out of revenue by

approximately \$2 million annually. A number of factors have contributed to this increase, including an aging infrastructure that needs to be maintained or upgraded to provide core services to the residents of the city of Thunder Bay, a lack of uncommitted reserve and reserve funds, and a lack of provincial subsidy dollars for capital projects. We continue to prioritize our capital project on the basis of asset sustainability, asset replacement, and health and safety items. This ensures that the city's facilities and equipment are safe and accessible to the public, requirements legislated under provincial legislation or local services realignment are met, and core community services are continued.

Local service realignment has brought about fundamental changes to provincial and municipal roles and responsibilities. As a result of local services realignment, municipalities inherited many capital-intensive programs.

While improvements have recently been made to the community reinvestment fund grant program, there are still a number of outstanding issues. We encourage the province to inform municipalities of their entitlement by September of the previous year, to make multi-year commitments with respect to funding levels, and to provide a clear formula for calculating the reconciling items.

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In addition, a number of specific northern issues must be considered when allocating grant funding, including but not limited to:

Currently, many grants require private partners—there are a limited number of potential partners in many communities in northern Ontario;

Grants must recognize the increased cost of doing business in the north;

Northern Ontario municipalities have lower assessment bases and deliver a broader range of services than our southern counterparts;

There is a need for special one-time funding to offset capital costs.

Outstanding issues regarding items previously eligible for subsidy that are not eligible for community reinvestment funding must be resolved. In addition, the CRF grant has not addressed the shortfall in the actual net Provincial Offences Act, or POA, revenues. To the end of 2001, revenues were approximately \$1 million less than the province had estimated they would be at the time of transfer.

While provincially there has been significant assessment growth, the city of Thunder Bay has experienced a drop in its total assessment base of approximately 1% as a result of the recent reassessment. Ministerial intervention is required to mitigate the impact of the latest reassessment and Bill 140's hard cap on levy increases in order to prevent the undue hardship that residential taxpayers will otherwise encounter.

There are several important regulations that must be filed by the province before municipal councils can make final tax policy decisions and ultimately project the impact of the property tax increase by class. These

include transition to starting ratio calculations, provincial threshold ratios for 2003, levy restriction calculations, capping and overall levy change calculation mechanics, and education tax rates.

We must emphasize the importance of receiving the regulations on a timely basis. In previous years, the province was very late with passing the regulations needed to make tax policy decisions, resulting in a delay in tax billings and significant costs to the city in terms of increased borrowing costs and lost interest earnings. Furthermore, OPTA is a necessary tool for municipalities to complete property tax policy analysis. We urge the ministry to have OPTA updated and available for use as soon as the tax policy regulations are filed.

There are numerous service issues relating to the Municipal Property Assessment Corp, MPAC. Municipalities are encountering significant delays of up to two years in obtaining details of new construction comparables, as well as supplemental and/or omitted assessments. Furthermore, MPAC's call centre and functional centralization have reduced any familiarity with local issues and greatly increased response times. This has caused cash flow problems, and increased municipal administration costs and irate taxpayers. Although provincial education taxes account for \$6 billion of the \$15 billion annual property tax levy, the province shares no part of MPAC's costs.

For the years 2006 and beyond, assessment will be based on a three-year rolling average assessment. This requires annual reassessment and impacts on the workload for MPAC. In addition, implementation of many of Mr Beaubien's recent proposed amendments will create additional fieldwork requirements that will add stress on assessment delivery.

In addition, many of the recommendations contained within the Beaubien report will negatively impact the city of Thunder Bay. We urge the provincial government to commit to consulting on any assessment policy changes that may be under consideration and to model and disclose the projected impacts.

At the same time we are dealing with emerging issues, we continue to deal with ongoing issues. There is a need for the province to commit to ongoing funding to help with the capital cost to improve our road and transportation system. From a provincial perspective, announcing new, major investment in our transportation and transit infrastructure demonstrates confidence in its economic future and signals that Ontario is serious about remaining open for business.

While federal and provincial programs such as Ontario's SuperBuild and the Canada-Ontario infrastructure program help, and we are certainly grateful for them, there is much more that needs to be done. These programs must be more consistently applied and better coordinated to make them more predictable over the long term to permit multi-year financial planning for municipalities. Furthermore, more flexibility should be provided to municipalities in choosing the eligible projects.

The city of Thunder Bay covers a large geographic area and is responsible for maintaining approximately

950 kilometres of roads. The cost to maintain them to city standards is \$5.2 million annually. Severe weather conditions contribute to higher road maintenance and snow removal costs, thereby exacerbating the financial issues.

The city of Thunder Bay currently spends \$12 million to \$14 million annually on transportation infrastructure—including roads, sidewalks and bridges—which is primarily funded from our tax base. What is needed is approximately \$20-million-plus annually to meet present and future demand and improve present levels of service.

With deferred maintenance and rehabilitation of our road, sidewalk and bridge infrastructure approaching \$100 million, the ability to finance the required work poses a significant financial dilemma on the city of Thunder Bay. The city's annual debt financing has doubled since 2001. Even with the increase in the level of debt financing, some very worthwhile capital projects have been deferred.

The provincial minimum maintenance standards for municipal highways are going to result in additional costs to the city, over and above the current costs to provide the level of services that city council has approved. While the standards are not mandatory, the regulation defence will be available only when a municipality has met the relevant standard.

Likewise, the expanse of the service area, along with its long travel distances, the urban and rural nature of the city of Thunder Bay and the discontinuation of provincial operating grants and reduction in the level of capital subsidy are making it increasingly difficult to provide cost-effective transit services.

Operation of a system of public transit is an essential social service. We must stress the need for infrastructure dollars to ensure cost-effective, efficient and safe public transportation. Canada is the only G7 country that does not provide infrastructure dollars for public transportation. It is important that all three levels of government work co-operatively to find a solution to the issue of public transportation.

Legislative changes have also impacted on the cost of providing other municipal services. Municipalities are now fully responsible for paying for local police services. As a result of the transfer of responsibility, costs relating to court security and transportation of prisoners have increased the policing costs for the city of Thunder Bay by approximately \$1.1 million annually. The province has subsidized approximately 1,000 new front-line officer positions in Ontario. Unfortunately, the added burden of court security has necessitated that the number of officers assigned to court security be increased significantly, thereby diminishing the impact of these new front-line officers.

The introduction of adequacy and effectiveness standards has further increased costs, in addition to having a tremendous impact on police services. For example, the city of Thunder Bay police force spends in excess of 6,600 hours tending to individuals with mental health issues at local hospitals at a cost of approximately \$200,000.

After the events of September 11, additional funding requirements are needed to meet the mandatory standards introduced by Emergency Management Ontario. This is in regard to training and equipment necessary to deal with chemical and biological hazards.

There are several financial issues which affect emergency medical services, EMS. The Ministry of Health has not been responsive to municipalities. For example, although we are in the 2003 fiscal operating year, we are still funded at 2001 levels, as the Ministry of Health has not yet provided a response to 2002 budget requests. The response time framework funding recently announced did not address the issue of inappropriate station locations. Cross-border billing legislation is not working and many direct delivery agents are in financial difficulty because of it. In addition, there is an inherent flaw in the land ambulance funding template. The net result is that incorporated municipalities in affected designated delivery agent jurisdictions are being attributed a greater portion of the municipal share of the land ambulance costs in their catchment area than are their unincorporated counterparts. We petition the province to change the funding template and to adjust funding retroactively to 2001.

Recruitment of EMS personnel is extremely difficult within northern areas. We urge the province to establish an underserved area program and to share in training costs if we recruit personnel who are not fully qualified.

Two of our homes for the aged are delisted. Current legislation under the Ministry of Health requires these homes to become compliant by 2006. The cost of redeveloping will be in the order of \$44 million. There is a need for an infusion of additional capital funding by the province in order that capital costs are shared on an equitable basis.

With respect to social housing issues, the senior level of government must continue to play a role. Through local services realignment, there is a larger municipal role. However, if needs are to be met globally, there must continue to be both funding and policy roles at the provincial and federal levels.

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Our community is facing an immediate critical situation in accessing physician services and providing health care to the people of northwestern Ontario. While our difficulties in recruitment and retention of physicians have been a concern for many years, they are now reaching crisis proportions. Training more physicians in northern Ontario is certainly the best response to this problem in the long term; however, in the short term we are in urgent need of support for immediate short-term solutions that will allow our community to both retain current physicians and recruit new family doctors and specialists in seriously understaffed areas. As residents of Thunder Bay and northwestern Ontario, we urge you to respond to our community's and our region's critical and immediate needs. For us, this is truly a matter of life and death.

Health units in northern Ontario are underfunded in comparison to their counterparts in the rest of Ontario

due to the higher level of primary care services required and the cost of providing services to unincorporated areas and First Nations. Provincially mandated requirements and programs have increased municipal costs to unacceptable levels. In 2003, a 23% increase is being imposed on Thunder Bay district municipalities. The province must rectify the long-term funding inequities for northern public health services and programs as soon as possible, as municipalities cannot continue to fund increases of this magnitude.

There is a definite need to be able to expand the revenue sources available to municipalities. There are solid economic arguments for the implementation of provincial legislation permitting municipalities to levy new taxes as a supplement to property taxes. A municipal fuel tax piggybacked on to the provincial fuel tax makes economic and political sense, especially in areas with considerable road and bridge infrastructure needs. Similarly, municipalities would benefit if they could share in sales tax revenues, or at least be given an exemption from sales tax on their own purchases.

Members of the standing committee, the city of Thunder Bay is committed to providing high-quality municipal services through forward-thinking policies and effective management. To do this, we also count on the province of Ontario for support and effective policy-making. We greatly appreciate that the standing committee's report to the House will include an understanding of some of the concerns within the north. Thank you very much.

The Chair: That, sir, concludes your entire 20-minute time slot. There will be no time for any questions. Thank you for the presentation. We appreciate it very much.

Mr Gravelle: There are so many questions to ask, Mr Chair.

The Chair: I'm sorry. We're trying to be fair to everybody, Mr Gravelle.

ONTARIO CHIROPRACTIC ASSOCIATION

The Chair: Our next presenter is the Thunder Bay and District Chiropractic Society. Please come forward.

Vice-Chair: Welcome to the standing committee on finance and economic affairs.

Mr Bruce Squires: Thank you. Good afternoon. My name is Bruce Squires. I'm the executive director of the Ontario Chiropractic Association. With me today is Dr Kristina Peterson, who is a director with the Ontario Chiropractic Association and a chiropractor here in Thunder Bay. Also with me is Dr James DiGiuseppe, who is the president of the Thunder Bay and District Chiropractic Society.

As the government of Ontario engages in the pre-budget consultation for 2003-04, the issue of health care expenditures is again a dominant point of discussion. With the November 2002 release of the Romanow report and ongoing federal-provincial-territorial discussions about the recommendations, Canadians and Ontarians are expecting meaningful action. For many, the action they

seek is a significant injection of funds, through increased federal transfers to the provinces directly for health care and through increased provincial funding. While the increases the public expects are vital to the future of our health care system, and we support the need for these increases, the Ontario Chiropractic Association's submission to the pre-budget consultation will also focus on the essential need for meaningful changes in how we deliver care.

The OCA represents over 2,400 chiropractors, more than 80% of the 2,900-plus chiropractors delivering health care across this province. Chiropractors practise in all parts of the province, from Toronto to Thunder Bay, from Windsor to Timmins. They deliver care to our inner-city populations and to those living in rural areas. Given our role in the health care system and our distribution across this province, chiropractors are well positioned to provide input about this key component of the Ontario budget.

Health care expenditures now make up close to 50% of spending in this province, excluding capital and public debt interest. This number has grown from 38% as recently as 1995-96, and few expect this trend to reverse, or even slow. The Romanow and Kirby reports, along with numerous other expert commissions and panels, call for more money for the health care system, particularly from the federal government. But they also note that things can be done better.

It is well known that more effective care, and substantial savings, can be achieved from better co-ordination and substitution of services. Our current funding and management systems often do not encourage the best use of the best provider at the best price. Chiropractors know this all too well, as they try to work in a system that contains financial and management barriers against physicians and others working co-operatively with them in the best interests of their patients.

Chiropractic services have been established and are widely accepted in the scientific and clinical communities as efficacious and cost-effective for areas such as back pain and other neuromusculoskeletal disorders. However, these services are often not available in the institutional locations where patients receive their care, and physicians and nurses know that the patients they do refer for this care will have to pay out of their own pockets.

The people of Ontario currently face two major barriers to accessing chiropractic services: the financial barrier and the systems barrier. On the financial side, the public contribution to chiropractic services has remained the same since 1986. As consumer prices have risen by over 56% in this time frame, chiropractors have been forced to pass much of this impact on to their patients. The result is that patients must pay significantly more to access chiropractic services, and therefore they are effectively denied access.

The financial barrier to chiropractic care results in a lower utilization rate for affected groups such as poor and lower-middle-income groups and the elderly. The low

public contribution to chiropractic care is a direct deterrent for those groups that have the highest prevalence of neuromusculoskeletal conditions.

The systems barrier is the other factor that limits a citizen's access to chiropractic care. Systems barriers make it difficult, and often impractical, for changes to be made to allow and encourage the effective use of non-traditional health care services.

Silo funding, where global budgets are set for services provided by particular health care provider groups, has prevented efforts to integrate health care professionals in the coordinated care of patients. For example, government-of-Ontario-funded studies have made it clear that significant direct and indirect savings could be realized through the increased utilization of chiropractic services for neuromusculoskeletal disorders and injuries. However, when funding is through profession-specific global budgets, this interprofessional co-operation is inhibited rather than facilitated.

Our current delivery system is based on a traditional organizational model that does not facilitate co-operation or coordination, and therefore appropriate use by appropriate providers. This is true for many health care providers. Primary care renewal initiatives to date have not really addressed this fundamental problem of silo funding. In the case of chiropractic, there have been some very strong relationships established in a very few limited cases, but no real integration of chiropractors into hospitals, community health centres and other primary care delivery systems. The result is that involvement of chiropractors in the care of patients, particularly those with conditions for which chiropractic care is shown to be particularly effective, is hindered rather than facilitated.

The province has expressed a strong desire to move toward new models of health care delivery, ones where financial and systems barriers to integrated care are reduced and eliminated. In particular, the Ontario Family Health Network represents a significant and meaningful effort to reform the delivery of primary care services to better integrate the quality services provided by the many Ontario-regulated health professions. The OCA applauds and encourages the continued support of this important initiative and others designed to promote integrated delivery systems in community health centres, long-term-care and acute care institutions. We should support and promote a variety of primary care models in order to provide the fullest opportunities for Ontario's professions and institutions to work together in the best interests of their patients.

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Major savings in health care, disability and lost productivity costs in Ontario—studies have shown direct savings of \$380 million per year, and indirect savings on disability and lost productivity costs of \$1.25 billion—can be achieved through better integration of chiropractic services in the health care system. To achieve this integration, the OCA recommends the following:

(1) The Ontario Family Health Network should be utilized to encourage the availability and use of

chiropractic services, especially for patients with back pain and other neuromusculoskeletal disorders. To accomplish this, a particular focus should be placed on testing models that promote the use of chiropractic services within the family health networks.

(2) Ontario should continue to explore and implement additional system changes in other settings that facilitate the wider utilization of qualified health professionals, including chiropractors. This should include greater utilization and integration of chiropractic services into community health centres, health services organizations, long-term-care institutions and hospitals.

(3) In order to immediately improve the accessibility of chiropractic services, which in turn will improve quality of care and achieve system savings, funding for chiropractic care should be restored to 2% to 3% of the OHIP provider services budget, which represents the level of funding in the 1970s.

The OCA appreciates the opportunity to provide input to the development of the 2003-04 Ontario provincial budget. Our comments and recommendations have been focused on the area we know best, health care. This is an area in which we believe meaningful progress is being made. However, we feel it can be greatly enhanced through the co-operation of all stakeholders. We look forward to the opportunity to work with government to achieve this progress.

That concludes the formal submission from the OCA. However, we thought it would be particularly valuable for the committee to hear how these financial and systems barriers affect patients here in Thunder Bay, in the northern part of the province. Here to share her experiences with you is Dr Kristina Peterson.

Dr Kristina Peterson: As Bruce has said, I'm a chiropractor here in Thunder Bay. I've also had the opportunity to provide chiropractic services on a satellite basis in Upsala and Ignace. As Bruce has said, my purpose is to share with you some of the financial and systems barriers that patients and providers are having to overcome as they relate to chiropractic services in the north—and I shouldn't say specifically the north; I've talked to colleagues here in Thunder Bay as well as throughout the region and, of course, in the southern parts of Ontario as well. So it's not specific to the north. What I thought I would do is give you a couple of examples of patients I've had and describe the scenarios that relate to those particular patients.

The first one was a younger woman who presented in my office with what we call torticollis. Basically what that means is acute spasms in her neck and upper back. She had headaches, radiating pain and referred pain down her arms. She's a single mom who has a young child at home. She works fairly lengthy hours as a waitress, which of course requires using her upper arms and upper back to perform her duties.

She came into the office, in a substantial amount of pain of course, saying, "Help me, help me. I'm in dire need. I can't work, and I can't look after my son. Can you help me?" We began a treatment protocol that was

appropriate for her, which went through several weeks of care. Throughout that time frame, she was improving. The spasming was reducing, the headaches were being reduced and the referred pain and the radiating pain down her arm were improving as well. We got to a point where she was doing fairly well. She was pretty much back to normal activities and able to return to work. We had provided her with stretches and exercises and some things she could do at home to manage this a little bit better without relying upon my services.

My recommendations to her at that time were, "Here's some stuff you can do. I think it's still valuable for you to come in a few more times over the next couple of weeks, so that I can ensure we get you back to pre-accident state." Unfortunately, she said to me, "Do you know what? I'm maxed out. I cannot afford to come. It's impossible for me to get here any more." At that time, she had completely exhausted all the funding available to her through OHIP. I said to her, "OK. We'll do the best we can. Here's what you can take with you. Please call me if you have trouble."

Three weeks later I got a call: "I'm dying. Can I come in?" So we brought her back in to the clinic. She had been to emergency on two occasions and had been provided with care: anti-inflammatories, muscle relaxants. She had been off work for several days and was not able to take care of herself or her child. She basically said, "Here I am. What can you do for me?" Fortunately enough, I obviously saw the need for her to receive care, and I provided it to her at no charge. Thankfully, she resolved and got back to work etc. My concern was that if perhaps there had been some further funding available to her, if she had gotten a referral when she was in emergency or been offered treatment alternatives, if there had been some integration right from the get-go when she originally presented, then working together might have allowed her to improve quicker and of course not sustain the financial barriers she was obviously having. That's one example of how patients are being affected by not having access to chiropractic care.

The second example I'll share with you is actually a patient I treated in Ignace. She came in on the referral of a nurse practitioner in Ignace. Fortunately we have a very good working relationship with the nurse practitioners in that community, so it's not uncommon that we get referrals from them, which is great because they can get in for care right away when the nurse recognizes they have a condition that chiropractic can treat. So I got to see her right away.

She came in with a lower back problem. I went through the assessment/diagnosis process with her. At the end of our initial visit that day she said to me, "I'm on social assistance. I can't afford to pay you." I said, "OK. Let's see what we can do." Unfortunately we weren't able to come to any terms that were reasonable for her at that time. Again, a mom with children at home, not working—you can get the picture.

She returned to the clinic. The clinic made a referral for her to travel to Dryden for further assessment and

evaluation, paid by the taxpayers of course, because she was able to apply for a travel grant. They suggested that she have a round of physiotherapy, which was appropriate. However, because she had an acute lower back problem, there was no way she could sit for an hour and 15 minutes to go there three times a week for her treatment. So she came back to Ignace and she said, "This is great, but I can't get there. What am I going to do now?" The nurse practitioner said, "Well, we do have a locum physiotherapist who comes into Ignace. We can set you up with her."

"Great. How long do I have to wait?"

"It will be three and a half to four months before you can get to see her."

So she came back to me at the clinic and said, "I'm at my wits' end. My back is killing me. What am I going to do?" I said, "Let's do some treatment with you. Let's get you as good as we can, and we'll talk about the financial restrictions later. We'll figure it out. If you can afford \$5 a month, let's do that."

Fortunately we were able to help this lady and provide her with some care, but in the meantime you can see where the system paid for these trips back and forth to Dryden, the visits to the clinic—much more effectively treated with much less expense if there had been the proper protocol right from the get-go.

Just for your information, about three weeks later this lady was in a car accident. Because the Ontario automobile insurance legislation is such that they have to provide for chiropractic care, the lady had to get into an automobile accident to get her chiropractic care paid for. End of story.

Those are just a couple of examples; I could go on and on. I know Dr DiGiuseppe, as well as the other chiropractors in our community throughout the north—throughout the province—could tell you stories of similar types of ongoing situations. I hope that's helpful to you. Certainly we invite any questions you might have.

The Vice-Chair: Thank you very much for your presentation. We have about three minutes in total for questions and answers, so I'm going to give one minute to each caucus, 30 seconds for a question and 30 seconds for an answer. I have to be firm on it.

Mr Christopherson: Now that's pain.

Mr Gravelle: Speak fast, David.

Mr Christopherson: I'll do my best.

I have two questions on the \$308 million in direct, as opposed to indirect, savings for disability and lost productivity. One is the differentiation; I sort of saw them both as the same thing, but obviously there's a distinction. Secondly, is that number the net of the 2% to 3% increase that takes us back to the 1970s or is that the gross?

1400

Mr Squires: That's a net number. The \$380 million in direct refers to the reduction in other health system expenditures—expenditures on physicians, expenditures on other diagnostic services—whereas the indirect is

referring to, as noted, lost productivity costs and otherwise.

The Vice-Chair: To the government now.

Mr Sampson: Thank you very much for your presentation. We see each other on the auto insurance side, so I know that issue. I'll just make a statement; there's probably no room for questions. The bizarre bureaucratic nightmare that you have just explained with the two cases I think probably happens even in the private system, and that's part of what we're trying to take out. We need to find smarter ways to manage how money is being spent, whether it's public money through the public health care system or insurance premiums through the auto insurance product. What you've just said is those set rules never meet the needs of the average person.

The Vice-Chair: I'll turn now to the Liberals.

Mr Kwinter: Thank you very much for your presentation. You may or may not know that I introduced a private member's bill on giving doctors and patients freedom of choice to deal with complementary or alternative forms of medicine.

I think one of the problems that we face, and Mr Sampson alluded to it, is the built-in inertia in the bureaucracy. The medical establishment has constantly been opposed to chiropractic as a modality of treatment. They often refer to them as quacks. That has changed dramatically when you now have physicians going to chiropractors.

The Vice-Chair: Mr Kwinter, could you conclude your comment?

Mr Kwinter: Yes. The point I'm making is that it's going to take some time to get through this bureaucratic maze where there are predetermined opinions of what has to be done. I hope you'll bear with that.

The Vice-Chair: Thank you, Mr Kwinter.

Thank you for your presentation. We really appreciate your advice and suggestions.

NORTHWESTERN ONTARIO ASSOCIATED CHAMBERS OF COMMERCE

The Vice-Chair: The next group I'll call forward is the Northwestern Ontario Associated Chambers of Commerce. Are there representatives from that group in the room? Welcome to the standing committee on finance and economic affairs.

Ms Tannis Drysdale: My name is Tannis Drysdale and I'm the president of the Northwestern Ontario Associated Chambers of Commerce, which we commonly refer to as NOACC. In the interests of time, I think that's where I'll go today.

We represent all chambers of commerce in northwestern Ontario throughout 22 communities, including Thunder Bay. We are also pleased that our membership includes corporate representation from the largest businesses with an active involvement in northwestern Ontario. We are the voice of business for a geographic territory stretching from Marathon to the Manitoba border. Since 1931, when our association was formed, we

have reviewed government policy and lobbied for progressive solutions that best fit with the needs of our communities.

When this committee last came to Thunder Bay two years ago, I spoke to you about the need to translate the concept of smart growth into an entity that addressed the very different challenges of the north. We are pleased that as the government developed its Smart Growth initiative, first with consultations and then the panels, you continued to acknowledge the different mandate of the northwest committee. So today, with the northwestern panel's recommendations nearly complete, I am here to talk to you about what we believe must be the next priority area: moving forward those recommendations through a strategy of investments led by partnerships.

As an organization representing 2,500 businesses in northwestern Ontario, we believe in fiscal responsibility. We believe that in developing solutions for northern Ontario, we too must only request investments that do not increase the tax burden on our citizens or provide future northerners with a legacy of debt.

We applaud the government of Ontario for their current investments in northern highways. For a number of years, many of our critical routes in northwestern Ontario fell into such a state of disrepair that they became a serious barrier to growth for the region.

NOACC is currently requesting that the government of Ontario begin to upgrade sections of the Trans-Canada Highway. Of particular interest and priority is the section beginning at Shabakwa and extending to Nipigon, as this serves as the only route through Canada from east to west. Frequent and extended closures on this section of the highway can virtually shut down the region, delaying the transport of both goods and people.

We recognize that the province has borne the cost of the upgrades for the Trans-Canada unilaterally and, as a result, has had to redirect revenues that should be used on secondary routes. So we are encouraging the province of Ontario to formally request the federal government to participate in a northern highway infrastructure agreement, which we believe would allow you to allocate the necessary funds to begin to upgrade our current transportation corridors.

I would like to direct your attention to the press release attached to my handout, which discusses the new road being built connecting Slate Falls First Nation to the northwestern road network. The partnership between federal, provincial and business entities exemplifies the types of positive opportunities that can be realized through universal co-operation.

We believe that the north also holds much opportunity for future growth. I would like to share with you one of the things that we believe will grow our economies and communities and expand our ability to be sustainable.

As you know, while the province of Ontario celebrated a period of record growth, northern Ontario was left behind a little. The reality in most northern communities is that we have not yet diversified our economies much past primary resource extraction. Many of

the communities that NOACC represents are entirely dependent on single, large multinational companies and thus, in their microeconomic environment, their fortunes rise and fall with commodity prices.

Population declines in northern Ontario have also created a dependency on senior levels of government for assistance to develop and maintain infrastructure. We believe that to grow a healthier economic base we must diversify, moving into value-added production and healthier resource cluster development. As we reviewed this issue, we found that one of the greatest barriers facing northern businesses and northern business people is acquiring the capital necessary to grow from small mom-and-pop operations to the mid-sized export or technology-based businesses that grew the province's economy for the last decade.

The province of Ontario does recognize the importance of venture capital in making growth possible. In Canada, it is estimated that as much as 50% of the entire venture capital now available exists in labour-sponsored funds, and 43% of all the contributions to labour-sponsored funds have come from here in Ontario. Estimates of the value of these funds round out at about \$5 billion. To support labour-sponsored funds, the government currently provides anywhere between a 15% to 20% tax rebate to the investor, which is also matched at 15%, I believe, by the federal government. Working with the rough math on those figures, you have invested over \$300 million to support venture capital for small business growth in the province, but not a single penny of that capital has been invested in northwestern Ontario. In fact, there is only one business in all of northern Ontario that has ever received an investment from labour-sponsored funds.

As northern businesses experience significant challenges in financing expansions and/or exploring new and innovative products, we have discovered that the costs to venture capital funds of exploring and maintaining relationships with businesses locating in northern communities has been seen to be prohibitive.

We also believe that northern Ontario residents need a way to invest in themselves and in their neighbours, allowing us to keep our money in the north, working to grow where we live and work. To meet this need and the access to capital need, the Northwestern Ontario Associated Chambers of Commerce is recommending to the government the creation of Grow Bonds North.

Over the past decade, Manitoba's government has encouraged millions dollars of private sector investment in rural communities by providing a rotating guarantee of approximately \$20 million in grow bonds. We are proposing a similar model for northern Ontario.

The Grow Bonds North Corp, a new subcorporation of the Northern Ontario Heritage Fund Corp, would administer this fund and work with local economic development officers, Ministry of Northern Development and Mines northern development officers and entrepreneurs to locate market and allocate the funds. I've included the basic outline in your package.

Perhaps one of the most exciting things about the program we are proposing is that we believe it can be accomplished entirely within existing government expenditures, as the government of Ontario would only be requested to expend funds in the case of a business failure, and those funds would come out of existing NOHFC funds. In Manitoba, they have not experienced a loss on any grow-bonds-supported business approved in the last five years.

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We are not alone in believing this is a remarkable solution to the problem faced by businesses in northern Ontario. This program, Grow Bonds North, has been endorsed by the Ontario Chamber of Commerce. It was the first time the Ontario Chamber of Commerce came out and looked at a regional program. It's been endorsed by the Northwestern Ontario Municipal Association, the Northwestern Ontario Development Network, local municipal councils and individual northern chambers.

We hope that you share our enthusiasm in this opportunity. As a bonus, the legislation created to support opportunity bonds gives the Minister of Finance the ability to create other types of bonds. We believe that no further legislation is required. If the government of Ontario wished, by creating the necessary legislation, we could begin to issue the first grow bonds this year. Personally, I've already written my cheque.

As I said in my opening remarks, NOACC continues to investigate and support sustainable solutions for northern Ontario in all areas of critical importance to our business community.

We appreciate both the government of Ontario and opposition parties for responding favourably to our thoughtful solutions. We look forward to working with all governments to ensure a prosperous future for this very special place: northwestern Ontario.

The Vice-Chair: We have a bit more time for questions in this round. I will look first to the government caucus.

Mr Miller: Thank you for your presentation. First of all I'll just talk about northern roads for a moment. I'm glad you recognize the expenditure that the provincial government has been making on them.

Yesterday I was driving up the Trans-Canada Highway, to New Liskeard and back, and commented to the person riding with me that it was hard to believe it's the Trans-Canada Highway, really, the major route across Canada. I certainly like your idea of encouraging the federal government to partake in four-laning the Trans-Canada Highway right across the country. It would be a good project for them to take on, and I think it would be very beneficial. There would be a lot of benefits, especially if they did that along with rest spots as well.

On my last visit to Thunder Bay, after meeting with the chamber of commerce, the biggest issue was the east-west route, west of Thunder Bay, east of Thunder Bay and Nipigon to Shabagua, where there is just the one route.

Interestingly enough, after my meeting with the chamber of commerce, I had a tour of the cancer centre, and the first issue the head of the cancer centre raised was the same issue. I thought you two had ganged up to plan that, but obviously you hadn't. So that's certainly a significant issue. I do agree with you that we should be getting the federal government to participate in that.

I also agree with you that capital for small business is probably the biggest challenge they have to a growing business, whether you're a tourism operator or any other—

The Chair: Question?

Mr Miller: So I support your idea of grow bonds. I don't have a question.

Interjection: You sound like O'Toole.

Mr Miller: I know. I'm learning from him.

The Chair: Is there another question from the government?

Mr Sampson: I think the concept of the bonds is great. I'm not too sure that the Manitoba example fits exactly to what you need here in Ontario, although it's been a bit since I saw that. It's about a two-year-old program, is it not?

Ms Drysdale: Eleven.

Mr Sampson: Didn't they change it after the last election? There was some modification after the last election.

Ms Drysdale: It was introduced by a Conservative government in Manitoba and it's been so successful that the NDP government has maintained it. They put more restrictions on it and, Mr Sampson, I think that's a good idea. Fiscal responsibility is important.

The Chair: We move to the official opposition.

Mr Gravelle: It's great to see you, Tannis, as always. I've got a couple of things I'd like to talk to you about. In terms of the grow bonds, there used to be the Northern Ontario Development Corp, which was a guaranteed loan program, which is a similar concept, right? Why do you think the grow bond concept is superior to going back to perhaps bringing the NODC back into creation?

Ms Drysdale: I believe grow bonds are a superior program to that, Michael, because I really believe that we as northerners need to invest in ourselves. As individual communities, we can make better decisions than government about which businesses we'll invest in. I'm of the opinion, and I might be alone within my organization with this opinion, that there's a lot of empowerment that comes from a local community when it's your dollars that are invested in that local business. I think we can leverage a lot of dollars in local communities and create a different kind of response and a different kind of vision for northern Ontario when we start to be sustainable, for ourselves and above ourselves.

Mr Gravelle: When we were both at the Thunder Bay Chamber of Commerce recently and Minister Ecker was the guest speaker, she was asked a question about it, and it strikes me that her answer was pretty tentative in terms of the grow bonds. What could you say here—you've said it before. She answered publicly and it suggested to

me that she wasn't going to go in that direction, I must say. What would you say to her to try and get her to move off? She had a couple of reasons that she thought it wasn't the way to go.

Ms Drysdale: Yes. The Minister of Finance, who perhaps required more briefing about the wonders of grow bonds, was concerned that we were taking away some of the responsibility from banks, which I perceive are a federal jurisdiction. I've outlined today that it's venture capital, through labour-sponsored funds, that really drives capital investment.

Another concern was the experience in Manitoba. I went back and spent a week double-checking that and talking to them, and the experience has been positive: no losses in the last five years.

Mr Gravelle: That's important, because that is your point.

Ms Drysdale: Yes, that's really important. I'm sure, armed with new information, that another look will be taken at Grow Bonds North.

Mr Gravelle: It's certainly also good to have the chamber now very strongly supporting the expansion of the highway system. As you say, it's a top priority. Mr Miller's comments are good to hear, especially in terms of your experiences with your travels that day. I guess the trick is to move it forward.

One of my comments or feelings has always been that we're not getting our fair share, but I also recognize that there needs to be federal government participation in order for this to move forward. There seems little doubt about it. I've always maintained that perhaps if the Ontario government was more aggressive in pushing that—we know the federal government has signed. You've got an example of a wonderful agreement. There are also cost-sharing agreements that Mr Chretien announced in Quebec and New Brunswick this past summer: 50-50 for four-laning. That has been the push. I've been trying to encourage the Ontario government to be a little more aggressive and say, "Here's what we want to do. We won't be able to do it, though, unless we get support from the feds," which I think puts the pressure on the feds. Would you agree with that approach?

Ms Drysdale: I'd like to share in putting pressure on the feds with the government.

The Chair: We move to the NDP.

Mr Christopherson: Thank you for your presentation. First off, don't leave that cheque lying around. One of them will cash it.

Second, I too would offer up our heartiest support for the concept. I think it makes a lot of sense. If it's working in other provinces, then why on earth wouldn't we take a look at it, given the critical importance to the road system, particularly here in the north? It applies everywhere, but more so in the north.

More as a matter of a civics lesson for me, actually: you state, "We recognize that the province has borne the cost of the upgrades for the Tran-Canada unilaterally, and as a result has had to redirect revenues that could and

should be used on secondary routes." Is that to say that it should have been a federal responsibility but their maintenance program wasn't enough to satisfy the government of Ontario, so Ontario stepped in and did this regardless? Could you just clarify for me what you mean by that?

Ms Drysdale: We've seen considerable upgrades to the Trans-Canada Highway throughout northwestern Ontario, through Dryden and Kenora and a number of other places, where we've increased passing lanes and done things like that. As I understand it, there has not been a penny of federal government lending—

Mr Christopherson: But is it their responsibility, the way it's set up?

Ms Drysdale: It appears to me to be their responsibility in other provinces. I guess that's something the government of Ontario needs to negotiate with the federal government, but in other provinces it is. There are agreements. In Saskatchewan and other places, I see great big signs saying that the federal government is participating in building their much less expensive roads. I think we need to look at partnerships between business, the federal government, municipal government and provincial government to move northwestern Ontario forward.

Mr Christopherson: Maybe the Chair can help. Would you know, Joe? Do you know whose responsibility, by design, it is to do the upgrades?

The Chair: It is my understanding from the outset, when they designated the Trans-Canada Highway as such, that the federal government was supposed to be a participatory partner. I'm not sure if it was 50%, but it may have been pretty close to that, as with the other provinces. Over the years I think they've devolved their involvement, in Ontario particularly.

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Mr Christopherson: By agreement? Or did they just devolve?

The Chair: No. I think they just devolved it.

Mr Christopherson: Devolved.

The Chair: Devolved, yes. As a result, most of it has been left to the provincial government to take responsibility for.

Mr Sampson: On a point of order, Chair: I'm wondering whether we could get research to look into that for us. A second thing that research might want to do is some homework on the grow bonds.

The Chair: Is there any further comment, then? I think the time has just about expired.

Thank you, Tannis. We appreciate it. It's good to see you again. Thanks for your input.

Ms Drysdale: Thank you very much for coming to northwestern Ontario. I know it was a case of whether or not you'd have enough people presenting. It means a lot to us in northwestern Ontario when MPPs come to visit us and increase the understanding between the south and the north.

ONTARIO COALITION FOR BETTER CHILD CARE

The Chair: Our last presenter is the Ontario Coalition for Better Child Care. Members will not be given a presentation, because it was given to us in Toronto. The reason that the presentation is being made here is because we had space to allow Ms Broere to present here in Thunder Bay. So you won't have a presentation, but it will be with your original set of documents out of Toronto.

Welcome. You have up to 20 minutes.

Ms Anita Broere: This is a very dangerous time to be making a presentation, at 2 o'clock in the afternoon, because brain research tells us that our brains start to shut down. So I didn't know if people needed a stretch before we—

Mr Christopherson: You're the last one, so we're very keen on everything you have to say.

Ms Broere: Oh, you're keen? OK. Good. I didn't want you to lose me, because it's fairly important stuff.

Mr Gravelle: You mean it's nap time. Is that what you're saying?

Ms Broere: Yes, I thought maybe.

My name is Anita Broere. Presently, I'm the director of W.J. Griffiths Children's Centre, which is a child care program here in Thunder Bay. I thank you for this opportunity to present on behalf of the Ontario Coalition for Better Child Care.

Since 1981, the Ontario Coalition for Better Child Care has been advocating for universally accessible, quality, non-profit, regulated child care. Today our commitment to these goals is as strong as ever. The coalition has a diverse membership of more than 450 individuals and groups across Ontario, including education, health care, labour, child welfare, injury prevention, rural, First Nations, francophone, social policy, anti-poverty, professional, student and women's organizations.

I've said this many times since 1995, and that is that Ontario is facing a severe child care crisis. Child care services are fragmented. There is no coherent system in the province. There are simply not enough child care spaces, high-quality or otherwise, to meet the needs of families with young children. Even when quality regulated services are available, most families can't afford them. Let me give you an example. The average pre-school fee for a child to attend a full-day program is \$33 a day. That's for one child. If you average 20 days a month, 12 months a year, you're looking at between \$7,000 and \$12,000 a year for one child to attend a full-day program in child care. There are about 34,000 children and families waiting for regulated child care spaces in Ontario. The provincial government is mainly responsible for this crisis. Its funding cuts and policies of downloading child care onto municipalities have been devastating.

Negative government actions came in the wake of solid research showing that early childhood education and care—and that's what we do; in child care programs,

we educate and care for children—is good for children, their families and our society. Early childhood education and care means providing high-quality services that further children's development, support families, help reduce poverty, foster social inclusion and provide equality for diverse groups in society.

Delivering high-quality early childhood education means putting in place a range of community services for children and families, sort of a hub model. The most important of these are government-regulated programs in child care centres, nursery schools, kindergartens and family daycare, provided by well-trained and well-paid early childhood educators.

We feel the province should at least be making attempts to meet international standards for early childhood education and care. A comprehensive four-year, 12-nation study carried out by the Organisation for Economic Co-operation and Development—that's the OECD, which I will refer to again—stands out as unique policy research that provides evidence-based findings to aid early childhood education and care policy analysis. The findings in the summary report of the OECD's study, *Starting Strong: Early Childhood Education and Care*, form an excellent framework for assessing the situation of early childhood education and care in Ontario in 2002. There are eight key findings from this study that provide stepping stones referenced in our written presentation which, when enacted, will create a child care system that Ontario's children deserve. Each stepping stone that I will mention is followed by Ontario's record to date.

The first stepping stone: where we expect a systematic and integrated approach to policy development and implementation, Ontario delivers a very fragmented system. Probably the strongest evidence of this fragmentation is Ontario's strategy for investing the first instalment of federal ECDI dollars in a hodgepodge of services that did not create one new child care space or service in the phase I communities. Remember, there are 34,000 children waiting for child care spaces in Ontario. The result was an expensive branding exercise for the Ontario government and lost opportunities for communities. ECDI didn't provide enough money for a reform of the system, but a more coherent provincial approach could have been a move toward a systematic integrated system. Further, fragmentation divides communities struggling to deliver services with insufficient money.

The second stepping stone is a strong and equal partnership with the education system. I understand from the presentation I attended with Janet Ecker that there is a primary focus on education, but for some reason, people still don't recognize early childhood education and care as the initial step in providing what children need to be lifelong learners. The provincial government has moved away from recognizing early childhood education as a part of the education process. It has attacked key contributors to high-quality early childhood education, such as supporting well-trained, well-paid staff. We haven't

seen increases in our wage enhancement grant since the onset in 1991.

The Conservative government, with its attempt at replacing regulated child care with vouchers to parents for purchasing informal care, tells us they do not understand the learning potential of children under five years, but see their needs as custodial. This of course is counter to the majority of research on lifelong learning.

The third stepping stone toward a quality system is a universal approach to access, with particular attention to children in need of special support. Ontario's record of 167,000 regulated child care spaces in 1998 only addresses the need of 12% of its two million children under the age of 12 years whose parents are in the paid workforce. I also understand a priority area for the Ontario government in this budget is job creation. It fits hand in hand. What do parents need in order to be effective in their jobs? They need good-quality child care for their children.

Equitable access to child care is nonexistent. At the provincial level there is no responsibility for ensuring that the early childhood education care needs of Ontario's children are being met. Although studies show regulated care is the choice of most parents, it remains out of reach for the majority. I can testify from personal experience as a centre director for over 17 years that the waiting list grows while subsidies shrink and the cost of delivering services rises. In Ontario, the concept of universality is further away today than it has been since the 1950s.

The fourth stepping stone in a quality system is public investment in services and infrastructure. The Ontario government says it's spending more on child care than any previous government, but by their own sources we see that since 1995, provincial allocations have been reduced by at least \$100 million. Since 1995, we've experienced the first reductions since World War II.

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While the Ontario government pretends to offer more choices, it is actually undermining the availability of quality early childhood education and care services. Further claims of increased spending on child care are confusing to the public when they claim the Ontario child supplement for working families as part of the expenditures. The \$175 spent on the program is more accurately described as a targeted work and training supplement. It is not child care. Further, the money is funded through the clawback of the federal national child benefit from families on social assistance.

The fifth stepping stone to a quality system of early childhood education and care includes a participatory approach to quality improvement and assurance. This is the case in Denmark, France and our progressive neighbour, Quebec. Our history documents commitment to early childhood education and care under the Conservative government of the day in 1946, when the Day Nurseries Act was introduced. This was introduced by the PC government. The legislation was designed with

child development in mind by child development experts from the University of Toronto's Institute of Child Study.

Now jump forward 50 years and meet the recommendations contained in Improving Ontario's Child Care System. We see reduced staff-child ratios, dilution of staff qualifications, diversion of fee subsidies to unregulated programs, additional school-age children cared for by home providers, and reduced requirements for facilities and licensing enforcement.

The report referenced was popular with those seeking small business opportunities, where regulation and enforcement impede the pursuit of profits. At the same time, those who consider the care of our children an investment and a partnership between parents and government were moved to protest. For this latter group, regulations constitute a contract between the public and the child care sector for a delivery of service that meets minimum standards. Regular monitoring and re-licensing protect our children and provide peace of mind for parents. Since 1995, the government has undermined its well-established system of child care regulation, thus abandoning its regulatory role under legislation.

The sixth stepping stone is the existence of appropriate training and working conditions for staff in all forms of provision. Quality early childhood education and care depends on strong, trained staff, fair working conditions and in-service training for the caring professional to whom we entrust the learning and development of our vulnerable children. In Ontario, thanks to capped wage subsidies since 1994—I stand corrected—we have inequities in salaries and staff, who have not seen pay increases in eight years.

Downloading further complicated problems. Pulling out of funding pay equity adjustments beyond 1998 has left employers in situations where they will accumulate unsustainable debt or be in contravention of legislation. There is a shortage of qualified early childhood educators, as poor wages and benefits do not attract even those with a calling to the work. The average yearly salary for an early childhood educator is about \$21,000.

The seventh stepping stone is the development of systematic monitoring and data collection. Latest statistics available in preparation for this brief are the most recent available from the government; they are from 1998. While the provincial and federal governments made commitments to produce benchmark figures by September 2001 in all four areas covered by the ECDA, including early learning and care, Ontario had not fulfilled this commitment.

The eighth and final stepping stone is a stable framework and long-term agenda for resource evaluation. In 1991, Ontario released the much-touted Early Years study with a vision of a system of early childhood development centres, including child care centres. In 2000, the government's Education Improvement Commission called for strengthening a commitment to children by ensuring access to affordable child care. None of these recommendations from the studies has been implemented.

Overall, there is no agenda for research and evaluation, long-term or otherwise, nor is there a framework for these elements. To put this in context, national and international bodies recognize early childhood education and care as a key component for: social and community economic development, a social justice strategy, a population health approach, preventing crime at a community level, social equity and inclusion, and human development and freedom. We aren't saying it will be cheap, fast or easy, but the incentive is investing \$1 for a \$2 return.

Ontario's children need your leadership and co-operation. Both federal and provincial governments need to ease the download burden on our municipalities. In 1999 the Ontario government further downloaded costs onto municipalities by changing the school funding formulas. The result was the end of support and co-operation between education services to provide a coordinated early childhood education and care system in Ontario.

Downloading costs to the municipalities have forced them into making choices and decisions for the provision of care not based on sound child development or the needs of the community, but on coping strategies. What's the first to get cut? One such result is forcing municipalities to reduce spaces to stay within their budgets.

A comprehensive system of early childhood education and care services can only exist in Ontario if all players work together. The federal government must lead with policy and funding that has accountability measures attached, and put in place a national child care strategy.

The provincial government must also resume a significant role and directly fund child care programs, provide other necessary resources and adopt a systematic and integrated approach. Only then will our local authorities, municipalities and school boards have the resources to deliver services needed for early childhood education and care in their communities.

We ask you to stop passing the buck.

Here are our recommendations. We believe that a comprehensive early childhood education and care system in Ontario, one that meets the OECD's international standards, is possible. The missing key element in our province is the political will.

We recommend that (1) Ontario must adopt a systematic, integrated approach to early childhood education and care, move away from a targeted subsidy-based system to—you've heard this many times—a publicly funded system; and (2) child care must be an equal partner with education to ensure early childhood education and care form the basis of lifelong learning.

Our recommendations for the 2003 budget are:

(1) Ontario needs a plan to give universal access to high-quality early childhood education and care to expand services. The expansion must include training new staff, a new institutional framework, building new facilities and financial support.

(2) Ontario must restore regulated child care funding to 1995 levels. This means investing \$120 million in 2003. Funding levels must rise every year until we achieve universal access.

(3) Ontario must immediately restore pay equity funding to this sector and analyze and address workforce issues.

Most modern nations have made early childhood education and care a priority. In Ontario, child care has been pushed aside. We need a seamless, universally accessible system. It must be funded as a core public service and entirely not for profit. It is a shared responsibility of parents, governments and society to provide safe, healthy environments for children's early development. Children have the right to high-quality public services. We must guarantee this, because it's the right thing to do.

The Chair: Thank you, Ms Broere. You've just about hit it on the nose for your time. We appreciate your contribution today. We already have the document input in Toronto, and this is also recorded in Hansard.

Mr Gravelle: On a point of order, Mr Chair: The Regional Multicultural Youth Council wasn't able to make a presentation, and Mr Moffatt Makuto, who is the executive director, just dropped off this document. Can I formally submit it to the committee as their recommendations for the provincial budget?

Interjection: When is our cut-off, at the end of our hearings?

The Chair: For written submissions, I think it's Monday.

Mr Gravelle: So I can formally submit this?

The Chair: Hang on. We'll just verify that.

Tomorrow at 5 pm is the deadline for written submissions, so we're fine.

Mr Gravelle: Great.

Mr Christopherson: I was just worried that it might not legally be allowed.

The Chair: Thank you, Mr Christopherson and Mr Gravelle. The clerk will take it and make sure everyone has a copy.

Are there any further questions?

The committee stands adjourned until 9 am tomorrow in Ottawa.

The committee adjourned at 1441.

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Jeudi 6 février 2003

**Standing committee on
finance and economic affairs**

**Comité permanent des finances
et des affaires économiques**

Pre-budget consultations

Consultations prébudgétaires



Chair: Joseph Spina
Clerk: Katch Koch

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 6 February 2003

Jeudi 6 février 2003

The committee met at 0900 in the Marriott Ottawa hotel, Ottawa.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Joseph Spina): Good morning. This is the standing committee on finance and economic affairs in Ottawa. I'm just going to make a brief statement on the objective of the committee, and then I believe Mr Patten has a comment he wishes to make. I remind everyone that the purpose and objective of this committee is to receive input that we would give to the finance minister and advice for preparation of the provincial budget in March. That is the purpose of this committee: to gather information from delegations from the public, individuals and organizations.

Mr Richard Patten (Ottawa Centre): Mr Chair, I simply wish to welcome you and the members of the committee to Ottawa Centre, and I hope the discussions and deliberations are fruitful.

The Chair: Thank you, Mr Patten.

We have interpretation services for the purpose of the public, as well as the committee members, of course. If you choose to utilize those services, just make your wishes known to the staff and they will get you the interpretation equipment for both English and French. In addition, I would remind members and staff, checkout time in the hotel is 1300 hours, or 1 o'clock. In addition, the 1 o'clock presentation from the Canadian Association for Renewable Energies has withdrawn. We therefore will not resume from lunch until 1:20, giving us an extra 20 minutes to check out and so forth.

VAN LEEUWEN ENGINEERING LTD

The Chair: We begin with our first delegation, van Leeuwen Engineering Ltd. Sir, any time left over from your presentation will be used for questions.

Mr Bob van Leeuwen: Good morning. My name is Bob van Leeuwen. I'd like to talk about ethics, profits and taxes and how they might be linked. What you're seeing is the result of four generations of family experience and about four years of my personal work to try to get some movement in this area. What I'm going to be talking about is increasing profits through ethical credit relationships and more efficient transactions.

First, talking about ethics, the areas I'd like to concentrate on are bad debt, fraud and electronic money.

I believe bad debt is estimated conservatively at about \$10 billion per year here in Canada. Fraud is estimated at about \$25 billion per year. The global default rate—if you look at Standard and Poor's, they actually quote 3.499%. So if we said that bad debt and fraud were part of the global default, Canada is running at about the right level, according to my estimate. But I think when they say "global default rate" they're actually talking about the global bad debt; they're not talking about fraud. Usually those numbers are separate, but it's sometimes a little bit hard to distinguish when you're at the ground level fighting some of these issues.

I'd like to talk about the cost of electronic money. I think right now you probably all, or most of you, are using a credit card. Typically, credit cards are costing you about 2% of your purchase price. Originally, when credit cards came out, the purchase price did not include the cost of the transaction and you were charged an extra 2% to 10% on top of the purchase price when you used a credit card. I don't know how many of you remember that. I remember talking about it because my uncle ran a credit card company starting about 40 or 45 years ago. It was the first credit card company in the Maritimes, so there's a little bit of history there in my family. Typically credit card companies charge between 1.5% and 4%.

I'm asking for two things. One of them is provincial, which would concern you, and one of them is federal but there is a provincial component to it. I don't think anything gets done at the federal level that doesn't have a provincial component.

At the provincial level, what I'm asking for is the establishment of a partial security interest. Right now, you can register a security interest through the land registry office for a mortgage. The banks typically hold these and the first security interest holder is called the first mortgagor. Everybody is familiar with that. You know that banks, even in bankruptcy, retain that security interest and get to collect their money first. What I'm looking for is a way to apportion that share. If you register a security interest after the first security interest is registered, you are a second security interest holder and you cannot get satisfied until the first security interest holder gets fully satisfied. I don't think that's adequate in terms of the type of business that I do.

Also, the first security interest on a house is fairly large, so it's not really suitable for transactions that are less than, say, \$100,000. Typically, when you see security interests being traded or given to people, they're for security interests registered for amounts over \$100,000. What I'm looking for is something that can be used for amounts under \$100,000, anywhere from zero to \$100,000. The use would be for security for credit and multiple credit relationships.

The benefits would be a reduction in bad debt, because I could get a secured debt for smaller amounts, under \$100,000, and fraud reduction, because it would introduce a transaction period. You would get a security interest but you wouldn't get an actual amount of money in a transaction. Let's say that you and I have a relationship in a business where I was promising to send you goods and you were promising to send me money. I would ask for a secured debt or a secured credit and you would give me a partial security interest for the amount that I was going to invoice you. Then I would invoice you after I send you the goods. If all was well and good, you would sign a cheque, send it to me and I would send you the security interest back. If all was not well and good, that security interest would survive any debate that we would have over the quality or the quantity of the goods or services that I sent you.

This is an extremely visible problem for small and medium enterprises. For larger enterprises, it is a visible problem. I think you could talk to a few people at Nortel who wish they were a little bit more secure in some of the things they've done in the past, but typically larger companies have access to tools like letters of credit that can replace this kind of security interest. It's not exactly the same as what I'm suggesting here, but it is something that can replace the use of a partial security interest.

There's also an interest cost reduction because you're using credit. I have a problem when I'm registering with a company to try to buy their goods and services and they ask for payment up front. Why do they do that? Because they don't know me from a hole in the ground and they've been burned before, so they ask for money up front. I'm credit-worthy, but how can I prove that? I can only prove that by extending them something that is a secured credit instrument. I can give them a letter of credit, but that's going to cost me \$3,500. I can give them a security interest in my house, but that's a little bit of overkill if I'm buying \$20 worth of paper from Grand and Toy. So I'm looking for something that I can do on a smaller scale for the type of transactions that I have. I don't think you're going to find too many small or medium enterprises that do transactions over \$100,000 on a regular basis. So this hits the spot for those kind of enterprises.

On the federal level, what I'm looking for is electronic money from the Bank of Canada. Why am I asking for that? I'm asking for that because I think it's the role of the Bank of Canada to provide a form of money that is efficient and the least cost for all Canadian consumers. They have recognized that requirement or that mandate

that they have from the Canadian people by printing paper money. We are now moving into the electronic age, and if you look at the banking industry statistics on the use of credit and debit cards, you will see that they tripled between the years 1989 and 1999. In 1999, \$100 billion worth of transactions were done on debit and credit cards in Canada. That's 10% of GDP. Approximately half of those transactions were done on credit cards, and half of the credit card transactions were paid off before there was ever any interest charged. So I would submit to you that three quarters of those purchases were done as a form of electronic money, not as a form of credit of any kind.

0910

If you look at that as a straight-line graph, by the year 2020, 100% of GDP will be on some form of electronic transaction methodology done by the banks. If half of that is on credit cards, we've got a really big problem. What is going to happen is that you're going to have a very large part of your profit going to these companies. I think if you introduce electronic money, you will have a paperless monetary exchange, a distance monetary exchange and a removal of a key e-commerce barrier. We have a lot of companies that are trying to start up in e-commerce. Their biggest problem is trying to transfer money. They're still doing it with paper cheques. I don't care which company you're talking about; unless they are directly connected with the Canadian Payments Association, they do not transfer money any other way.

Let's talk about profits. Partial security interests: if you look at the costs to profits of bad debt and fraud, approximately 1% of the revenue of companies in Canada is lost to bad debt and approximately 2.5% of revenue is lost to fraud. If you look at those numbers, GDP is approximately \$1 trillion, so if we look at \$10 billion and \$25 billion, that's where the percentages come from. On electronic money, if I have a card that costs me as a company 2% of revenue and I'm normally expecting a 10% profit margin, you've just eaten 20% of my profit margin—20%.

The guy behind me sells pizzas and chicken for a living; he runs the local joint. He just got rid of all of his electronic money alternatives because it was costing him half—that's half—of his potential profit level. It's a major problem. You guys are asking for the Canadian economy to become much more efficient. You're asking for growth rates and GDP that exceed the US's. Well, here's an opportunity for us as a fully wired nation to start to get the jump on other people. If you look at those numbers, a 0.1% GDP increase would be a 1% profit increase. If you look at the previous page, I was saying that the removal of the key e-commerce barrier with electronic money, either a 0.1% or greater GDP improvement—I think that's actually a conservative number, because there will be spinoff benefits. But if we just look at the conservative number, using today's figures, without looking at future figures, you'd see a 1% profit increase in companies with a 0.1% GDP increase.

Let's look at the last page, the bottom line: taxes. I originally titled this, "I want to pay more taxes," but it wasn't quite the kind of heading that computed with the guy who was reviewing my slides. Let me just underline that if I pay 2% of my revenue to a bank for electronic money, I've just paid 20% of my profits. So now, instead of a 10% profit, say, for the average company, I make an 8% profit. Small and medium enterprises pay 25% tax, so the banks are getting exactly what the provinces and the federal government are getting in tax from my business if I'm using all electronic money. All those pizza joints that are taking credit and debit cards, that's where it's going. A 1% profit increase—remember the 0.1% GDP increase—equals a 1% tax increase.

If you have any questions, perhaps where I get my figures or anything else, I'd be free to answer them.

The Chair: Thank you, sir. We have about a minute and change each, and we begin with the official opposition.

Mr Monte Kwinter (York Centre): Thank you very much for your presentation. I'm not quite sure I understand how—I understand the mathematics of how it works; I don't know how it would work in a practical sense. You're saying that if you go and buy \$20 worth of paper, you want to get that debt secured. When you get your first mortgage, you have to register it, you have to put it on title—I mean, it's a whole production. You're not going to be able to do that by walking into Grand and Toy and saying—

Mr van Leeuwen: It's \$75 to register a security interest against a house. You can do it at the land registry office. It's about a block from here. Anybody can do it.

Mr Kwinter: But if someone's got a first mortgage, you're not going to be able to displace that.

Mr van Leeuwen: No, but what I'm asking for is the ability to share in that first mortgage. I can't share that.

Mr Kwinter: Why would you do that? If someone enters into a first mortgage, they entered under certain conditions. They can't have someone coming along afterwards and saying, "I want to share in your first mortgage." How is that going to work?

Mr van Leeuwen: Let's say you have a mortgage on your house, and your house is worth \$100,000. Typically, the bank values that mortgage at \$75,000. That's how much you can borrow. The rest of it you can't borrow because it's reserved for taxes and anything else that you could be owing in bankruptcy. That's part of the Bank Act, from what I understand.

Let's say you've paid down most of your house; you have \$10,000 left to pay. That means you have \$65,000 worth of credit ability that you could extend to other people whom you'd like to borrow money from. If you're a small business person, you'd like to use that as a line of credit, but you don't want to pay people until you owe them the money. So in a typical business cycle it's between 30 days and, depending on whom you're working for, six months before you get paid. In that cycle, if you can extend credit or show that you have the ability to pay off that money through your credit ability, then you

shouldn't actually have to have a transaction. That's where some of this efficiency comes in. I could extend a partial security interest to a vendor and say, "OK, I want to portion off \$5,000 of that and give it to my injection moulder and say, 'I want to buy a tool. Here's a \$5,000 partial security interest to assure you that even if I go bankrupt, you own \$5,000 worth of my house.'"

Mr Kwinter: But you can do that with a lien right now.

Mr van Leeuwen: No, you cannot.

The Chair: Thank you. We have to move to the third party.

Mr David Christopherson (Hamilton West): I'm not going to pretend I got this on the first go-round either. Let's just stay with the \$5,000 and the \$100,000 and the \$75,000 as working numbers. If I default on that \$5,000, as a small business, does that trigger bankruptcy? Does that trigger the house being sold? What does that do?

Mr van Leeuwen: No. You guys can write the laws any way you want, but typically what these things do—we can use a lien as an example. A lien is only available to the construction industry, by the way. It's not available to any other industry, and it's only available for things that are built into the ground. So if I'm providing engineering services on a house, I'm shit out of luck.

If you owe me the money, if you've defaulted, essentially that means you can't sell your house without me getting satisfied. But that doesn't mean that I can force you to sell your house. What it does mean, though, is that if I go after you for that bad debt, and that forces you into bankruptcy, on the bankruptcy sale I'm registered as a security interest holder, and they cannot disburse that money to anybody else without satisfying me as well.

The Chair: We'll have to move to the government bench.

Mr Rob Sampson (Mississauga Centre): I think, if I understand it correctly, you're trying to do two things: one is to try to make it a little bit more functional, if you will, for people to get security interests in certain financial transactions and, two, because of that, somehow lower the transaction costs, whether that be on a credit card transaction fee of anywhere from 1% to 5%. Is that the Reader's Digest version of where you're coming from?

Mr Van Leeuwen: The security interest is separate from the credit card thing. On the credit card thing, what I'm basically saying is that it costs too much if I'm going to use it as electronic money. So I'm looking for electronic money to replace that.

0920

Mr Sampson: Do you think that service is going to get provided for free too?

Mr van Leeuwen: No. What I'm looking for is for it to be provided as a single infrastructure rather than as a number of competing infrastructures.

If I wanted to start a credit card company today, I couldn't. Credit card companies pay retailers off the same day because they have access to the Canadian Payments

Association. I'm just looking for a way for a company like mine to get access, effectively, to the Canadian Payments Association without having to go through a bank to get it. That's basically what I'm looking for.

The Chair: We appreciate your input, and your theory, I guess.

Mr van Leeuwen: OK. If you have any other questions, feel free to write to me at the e-mail address you have on my card.

The Chair: Thank you, sir.

OTTAWA-CARLETON CHILD POVERTY ACTION GROUP

The Chair: Our next presenter is the Ottawa-Carleton Child Poverty Action Group. Please come forward. If you would be kind enough to state your name clearly for the purpose of Hansard, and you will have up to 20 minutes. Any time left over from your presentation we'll try to use for questions and answers. Welcome.

Ms Christina Marchant: Good morning. I'm Christina Marchant, from the Ottawa-Carleton Child Poverty Action Group. This is Dominique Nouvet, a member of the action group as well. We're very grateful that you took the time to hear from us this morning.

The child action poverty group is a public interest research and advocacy organization that is devoted to working to alleviate child poverty among families, particularly in Ottawa. Our focus this year has been on a number of areas that Dominique and I are going to summarize for you. We're also members of Campaign 2000, which I believe you heard from last week.

Ms Dominique Nouvet: In Ottawa, the latest estimate is that the child poverty rate is 23%; that is, 23% of children are living below the low-income cut-off, and that cut-off is based on a calculation where people below it spend more than 55% of their gross income on food, clothing and shelter. So 23% of children are living in such families and, in addition, 12% of Ottawa families are living on incomes of less than \$20,000.

In Ontario, the poverty rate is also relatively high. It has decreased over the last five years, but in 2002 it was at 14.4%. Considering that the economy has been performing decently for the past few years, and considering that the rate was around 11% in 1989, that's still quite a high number.

Our position, just to set it forth at the onset, is that the Ontario government, like all Canadian governments—provincial, and the federal government—has a duty to eradicate child poverty. That duty arises from a few factors put together.

First of all, no matter what any of you think about the responsibility of an adult for the poverty they might be living in, surely we can all agree that no child is responsible for his or her poverty.

Equally uncontroversial should be the fact that all children deserve to grow up in basic dignity, and for this each child requires basic health care, shelter, proper nutrition, a proper education and decent child care services.

The third point, explaining the duty to eliminate child poverty, is the fact that Ontario can afford to do so. We are one of the richest provinces in Canada and we are in one of the wealthiest countries in the world. Surely there is no need for any child in this country to be living in poverty. Those facts together establish the duty of this government, of Ontarians, to fight child poverty.

If you needed another reason, which I don't think you do, there is the fact that child poverty is expensive. There are costs that arise directly from child poverty in the form of greater health care problems in the long run and greater interactions of low-income children with the juvenile justice system and the child welfare system. There is an opportunity cost, of course, because poorer children tend to drop out of school, tend to end up with lower education levels and tend to earn less income and pay less tax in the long run.

Basically, the problem of child poverty means that for a large percentage of our children, we're not laying the groundwork to ensure that they can reach their maximum potential in society, so we're really squandering part of the potential of this province. That's particularly problematic in this day and age, when the economy is driven by the knowledge sectors and professions that require a significant amount of education.

Again, our premise is that child poverty must be eradicated and our submissions are founded on that premise. We hope that you can accept it, along with us.

Ms Marchant: Now we're going to highlight to you current problems and some suggested solutions in a number of areas, the first being the area of income security; and first, income security related to social assistance.

As I'm sure you're aware, back in 1995 the government cut social assistance rates by 21.6%. The net effect of those cuts, with inflation, over the last number of years has been a 30% reduction since 1995. Those cuts have jeopardized, largely, the poorest of the poor. They have jeopardized their ability to move out of poverty and into meaningful work. They have jeopardized the children's abilities to gain a meaningful education and to have a decent quality of experience of education while they are going to school. They've jeopardized their access to housing, to nutrition and so on and so on.

The lack of adequate social assistance has also substantially impacted food bank use. In this booming economy, food bank usage has increased by 97.8% from 1989 to 2001—that's unbelievable—and I believe something like 12% of people using food banks in March last year had jobs.

Coming back to social assistance—I'm aware that the time is short, so I won't go through all of this. Basically, what we're asking you to do is change social assistance rates. Raise the shelter allowance of Ontario Works and ODSP so they cover average rent levels, and increase the basic needs portion of the social assistance rates so they actually cover basic needs. What we're suggesting is 1994 levels. We're also suggesting that the pregnancy supplement be reinstituted for pregnant women.

I'll very quickly talk to you about the national child tax benefit and the clawback. Again, as you know, provinces are permitted to claw back the national child benefit supplement from the national child benefit program, giving that to programs that purportedly support low-income families. We believe that clawing back the supplement from the poorest of the poor simply dooms them to living, more and more, forever in poverty. We also believe that it's fundamentally unfair and denies them their right to manage their money, the money to which other levels of government have said they are entitled, that they can make their own decisions.

Our brief outlines the argument that clawing back the supplement encourages people to enter the workforce. Our brief outlines many of the reasons that that's not the case, in our opinion, and we won't go through all of those here, but you can read them at your leisure. We're recommending to you that Ontario follow Manitoba's 2000 decision to rescind the clawback of the NCB supplement and leave that money in the hands of the people who need it the most.

In terms of income supports, the minimum wage, we're recommending that the minimum wage be raised to at least \$7.50 an hour to complement other public policy efforts. We're recommending that because the minimum wage, like social assistance rates, has been frozen since 1995. Minimum wage families, even if they have two earners, are now unable to adequately afford the basics of life: rent, food and so on. As I mentioned, 12% of food bank users are now employed. That says something about the adequacy of those wages for those people.

Finally, I'll briefly talk to you about housing. We're also asking the finance committee to make some recommendations in terms of housing policy in order to better house poor children in Ontario. More than 41% of renters in Ottawa pay over 30% of their incomes on rent. Renters make up 40% of our population, but only 7% of new housing developments have been rental housing. People who can't afford market rents are waiting five to eight years in Ottawa for subsidized housing. On any given night, close to 1,000 people are housed in shelters, and 30% of those are children. Housing is a huge need in Ottawa and it's not being met.

The shelter portion of Ontario Works hasn't increased since 1995. One example here is that a family of four on social assistance would receive about \$600 in a rent supplement. The average market rent for a two- or three-bedroom unit here in Ottawa is between \$877 and \$1,056, far beyond the reach of people either on social assistance or who are earning lower incomes when they are working.

In our brief, we say it's absurd for any child in Canada's richest province to be deprived of the most basic need of decent housing and, as Dominique said, we hope that point is well beyond controversy.

In our brief, we recommend a multi-pronged solution to the housing crisis, including increasing the shelter allowance for social assistance recipients; revising the Tenant Protection Act and reinstating rent controls to

their previous level so that rents stay at affordable levels; and that the Ontario government provide greater funds to municipalities so that the municipalities can continue to build adequate social housing for our residents.

0930

Ms Nouvet: The final focus of our recommendations is child care and education. Child care is vitally important insofar as we want to help parents break out of the cycle of poverty, because if they don't have access to child care through family or other types of informal arrangements, they need to be able to place their child in external care to be able to enter the workforce. Child care is also crucial to the development of children, because it's their first contact with the larger community, the world outside the home. So it does have long-term effects on children's development, as does primary and elementary school.

Unfortunately, though, there are still many barriers—in fact, there are probably more barriers now than there were a few years ago—to external quality child care access in Ontario. Currently there are regulated child care spaces for fewer than 12% of children under the age of 12 in this province. Ontario's spending on regulated child care has declined by \$94 million since 1995 and the annual provincial allocation for each child in regulated care has declined by 18% since 1995. As a result of this, Ontario has the highest monthly fees of all the provinces for full-time, in-centre care in the country. Here in Ottawa, the average cost for licensed preschool daycare is \$637 per month, and it can cost as much as \$1,141 per month for infants and toddlers.

One more important aspect of the problem in Ontario is that the education funding formula for schools doesn't recognize that child care centres in schools also include not only students of the school but members of the broader community. So the funding for child care centres within schools is inadequate.

The problem that results from all these facts is that a lot of parents can't afford quality child care. For some parents in particular—parents of francophone children or children with disabilities—it's particularly difficult to find an adequate child care facility. When many parents find a spot, it's in a very inconvenient location so there's a lot of travelling involved or they have to have one child in one child care centre and another child in another, which involves more travelling for the parent.

The public has realized what the problem is. Ninety per cent of Canadians—and this is a figure released by the Canadian Child Care Federation in January 2003—support having a national child care program and 86% want a publicly funded system, according to the surveys done by Campaign 2000.

Therefore, we recommend that Ontario develop a multi-year plan to provide affordable, high-quality child care services for all parents who require them, and we echo Campaign 2000's recommendation that, as a very modest first step toward this goal, the Ontario government should immediately restore regulated child care funding back to its 1995 levels; just try to catch up a bit

on where we've fallen behind. We also recommend that the education funding formula be revised to recognize the true costs associated with establishing early childhood development programs within schools.

Finally, there's the topic of education, which could easily be the subject of an entirely separate set of public consultations today. There are many symptoms of the problem of underfunding, but the one which affects low-income parents most directly and which I think serves as an adequate example to drive the point home is the problem of school fees. These have been increasing. They are a downloading of the cost of many educational materials, school supplies and school activities. The fees result from the fact that the school boards simply don't have enough money to pay for what they used to. That's especially true for the Ottawa-Carleton District School Board.

Parents have stepped in through some amount of community-wide fundraising to try to fill the gap and, as you're probably aware, teachers have stepped in very generously. Almost all teachers contribute out of their own pocket to help cover costs that used to be funded by the school boards. But it just shouldn't have to be that way. There shouldn't be this need to rely on the charity of school board employees or the communities to run schools.

No matter how limited a role you think government should be playing in society, surely it's beyond controversy that an elementary school education should be available to all at a very high quality level throughout the province. If there is any role that government should be playing in a society, surely this is it.

For example, the fees in schools right now can be upwards of \$25 per month, and for some families it's unaffordable. Some families realize that the schools will step in and cover the cost, but that results in some stigmatization and humiliation for some kids. Other parents don't even realize they could receive a subsidy from the school for that fee and are paying it out of their own pockets. For low-income families, this is a serious strain on an already strained budget.

Regardless of whether families can or cannot afford the school fees, they are problematic because they amount to regressive taxation. It's a fee that's being imposed independently of income, and that is fundamentally contrary to a basic taxation principle in Canada.

We recommend that the education funding formula be revised so that schools receive enough money to fund the programs they are required to provide and so that elementary and high school education is actually universal, of high quality and completely publicly funded. We feel that's quite a basic recommendation.

Ms Marchant: We're going to conclude now by reminding you that back in 2000, Premier Eves said, "Of all the investments we make today, perhaps none is more important for the future of our province than those we make in children." So we urge you in 2003 to prepare a budget that is true to that statement, a budget that responds to many of our recommendations. These recommendations, as we've said, have been echoed by many

other child poverty advocate groups across the province. We urge you to make a budget that will finally cleanse Ontario of the disabling and entirely preventable disease of child poverty that's facing it today.

We thank you for your attention.

The Chair: That leaves us with grand total of about two minutes' time. The rotation is to the NDP, so I'll give Mr Christopherson this two minutes.

Mr Christopherson: Thank you for your presentation. It's interesting that following you is the Ontario Hospital Association, and I would think a significant part of what drives their costs is the lack of appropriate funding and investment in the area of child poverty. I know if Mr MacKinnon were to make that point, it would be helpful.

I note that you underscore the fact that in arguably one of our most wealthy cities, within the wealthiest province, in one of the wealthiest countries in the world, one in five children is in poverty and 12% of the families here live on less than \$20,000 a year.

0940

There are a couple of things in all of this that I find obscene. One of them is the fact that the increase that MPPs are going to get—not their total wage; the increase for the next Parliament—is \$20,000, which is more than 12% of the families in this community are living on. I don't have a problem with that. I think that's a proper reflection of the responsibilities and work that go into this role. What I find obscene is to take that pay and that position and use it to keep even more children in poverty.

The whole notion of keeping the clawback is another obscenity. This whole issue is obscene. It's beyond sad. It's beyond anything negative you can think of. It's just plain obscene that something like this should be happening.

In the good times, we heard the arguments—

The Chair: Is there a question, sir? We're getting down to the time.

Mr Christopherson: I don't have a question. They've made all the points. I just want to make the final point that in the good times, this government said they couldn't afford to raise the minimum wage and they couldn't afford to help poor children because "We don't want to stomp on the good times." In the bad times, they say, "Oh, we can't afford it. It will disrupt the economy and the balance of our budget." What it means is, kids aren't important, and that's a disgrace.

I really appreciate you coming in this morning and underscoring this point for us.

The Chair: That concludes the time. Thank you, ladies, for your presentation. We appreciate it.

ONTARIO HOSPITAL ASSOCIATION

The Chair: Our next presenter is the Ontario Hospital Association. Please state your name clearly for the record. Welcome.

Ms Mary Lapaine: My name is Mary Lapaine, and I am the board chair of the Ontario Hospital Association. It

is a privilege for us to participate in today's pre-budget consultations. With me is David MacKinnon, president and CEO of the Ontario Hospital Association. I will speak to you for a minute or two on an introduction and overview, and David will take five to seven minutes to leave time for questions—and, Mr Christopherson, he certainly will reply to the comments that you just made. We appreciate the opportunity of putting hospital input into the setting of budget priorities for the province. Since the time is limited, my remarks will be brief.

Established in 1924, the OHA represents 160 public hospital corporations operating 225 sites in Ontario. As the voice of Ontario hospitals, we are leaders in health care innovation and reform.

I would like to begin by saying we are at an important crossroads in the national health care debate. As a trustee of the Alexandra Marine and General Hospital in Gode-rich since 1985, I have seen first hand the challenges facing hospitals, trustees, administrators and front-line providers. Hospitals across the province continue to face serious conditions as they face ever-increasing financial pressures, a growing and aging population, rising demand for new drugs and technology and aging facilities.

While we are pleased that 89% of Ontarians rate hospital care as excellent, what about people who have yet to access health care services? Is it reasonable that 4.3 million Canadians have difficulty accessing primary care services and 1.4 million Canadians have difficulty accessing specialized services? I'm sure you'll agree the answer to that is no.

In closing, with strong momentum and support behind medicare, we, as health care leaders, are ready to embrace change and opportunities that will put health care back on a sustainable track.

Mr MacKinnon will now outline the current situation facing Ontario's hospital sector and present a comprehensive action plan for reform.

Mr David MacKinnon: Thank you very much for the opportunity to be here. As I think any reader of a newspaper anywhere in Canada knows, the current environment for front-line health care institutions is extremely challenging, in Ontario probably particularly so, and I'll explain that in a moment.

In our situation, the hospital system is moving toward a significant solvency crisis. At the moment, we have a working capital deficit of about \$1.3 billion. This problem has built up over perhaps decades, but it is a significant financial problem. It is causing significant erosion within the system of capital assets. The average age of Ontario's hospitals is about 42 years; comparable figures for the United States are about one quarter of that. Perhaps most troubling, the human skills in the system have been significantly eroded, again, over a long period of time. There's nothing new about this. This problem, frankly, has transcended administrations of all types in Ontario, but the human skills in our system are eroding significantly. One statistic is that about 12% of the people who leave the employment of Ontario's hospitals for all reasons do so to go on disability—12%, just a

remarkable percentage. So pressures in the front line are very, very serious and the human impact is considerable.

We also have had a problem all across Canada, and I submit we still have it although we've made huge progress in Ontario, in that the essential ability to be numerate about this huge system has been really deficient. It's quite remarkable that until 1997 no one ever added up the operating plans of Ontario's hospitals. The systemic totals were not possible to describe and there was no publicly available material on what was actually being done for the population through this huge service on a systemic basis.

I think we've corrected that. The report card system that the Ontario Hospital Association started and which the Ontario government has now joined is a world-scale leader in hospital accountability, but unfortunately decades of lack of numeracy have really led to some very serious built-in problems in the system.

Finally, there have been acute shortages of capital to make the new investments, particularly in new technologies. I worked for a bank in the mid-1980s and the technology of the bank when I left 17 years ago was far ahead of the technology employed in much of Canadian health care today, all those years later.

We don't think, though, that simply reciting the problems is going to be hugely useful to you. The problems are well known and I have tried to summarize them with great brevity. In our material—you have a copy of it—there's a very detailed description of all the statistics and the analysis which underlie the comments that Mary and I are making this morning.

In terms of where we want to go, what we think needs to happen, we need to clearly move toward multi-year funding of hospitals. It's amazing perhaps to most people, but in many years hospital presidents and hospital boards, the governance levels, do not know what the budget of the hospital is going to be until the year in question is largely, or sometimes completely, finished. That is just unacceptable, given that these are large, fixed-cost operations that cannot change quickly in the short term.

We also need to promote health and healthy lifestyles. I think a very fundamental point, and we'll see it over the next few days as the national debate plays out, is that you cannot have a health care system that will be sustainable if it's expected to solve all the problems that arise from lifestyle issues in our society. Many of the issues that hospitals are struggling with relate to lack of exercise, poor nutrition, addictions, domestic violence, a whole range of such issues. We need, as a society, to recognize that we have to deal with those issues. Perhaps, Mr Christopherson, that's a good time to deal with your comment that one of those issues is how we get new support to younger families—health care support and educational support on health services.

Not long ago, just to give you an idea of some of the possibilities that might be there for us, a senior businessman told me that from the point of view of our society, every woman giving birth in a hospital should be viewed

as an educational opportunity, and we should seek to keep her there, if we can, for at least a week so that she can explore and learn basic parenting and other issues without having to deal with the pressures of work and the pressures of family at home. With some creativity, some of those ideas should get more currency than they get. In hospitals we also have a real obligation to do that because of the extent to which services are devoted toward the older sections of the population. Probably greater balance is needed and is appropriate.

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One issue in Ontario and Canada in the national debate I'd like you to keep in mind over the next couple of days is that Ontario is unique, along with Alberta. We now have a federation in which only two jurisdictions have a positive net fiscal contribution to the national structure. They are Ontario and Alberta. BC has now become a net recipient of equalization and other assistance. I don't think you can expect Ontario, one of only two donors, to keep contributing to the national structure more than 5% of its GPP, which is more than it grows. We really need to understand that if our system is to be sustainable. In Ontario what that really means is that payments have to come to Ontario on a per capita basis or on some other basis which reflects our size in the structure and, frankly, our challenges, which are every bit as serious as those of the smaller provinces in delivering affordable health care.

We also need to take a different view of the whole partnership possibilities of health care. The problem is big enough that if we can get the partnership with the private sector, our chances of solving it are much greater. It's fair to say that in hospitals we will not achieve what we need for patients unless we're able to develop a much broader sense of partnership with the private sector and unless we're able to shed the ideological divide that currently fractures our public debate, which I submit is an unnecessary divide that impedes the kind of partnership we need.

Finally, I mentioned briefly in my introductory comments the nature of accountability. It is a buzzword that is quite often in use. With significant support from the Ontario government our academic advisers believe that we're leading. We have the most transparent hospital system on the continent and one of the most transparent in the world. Lots to go there, but the national debate on accountability, if I could summarize it in a way that I hope you will not find difficult, is that we have to stop talking about how we get around to implementing accountability tools and simply do it. If every province in Canada adopted our system for hospital report cards, we would be better off because we would have more points of comparison, they would be better off because their public would get a supplement similar to the kind that our public gets, and everything would move forward on a more ordinary basis. There's no good reason why they couldn't do that tomorrow.

Perhaps, Mr Chair, I'll stop there to leave the maximum amount of time for questioning.

The Chair: Very good. That will leave us about two minutes per caucus. We'll begin with the government.

Mr Marcel Beaubien (Lambton-Kent-Middlesex): Thank you very much for your presentation. Let me start on the premise that there will never be enough money for health care the way we're looking at it right now.

We heard from a small hospital administrator yesterday in Thunder Bay, who said—and I'm basically quoting him—"We need action more than money." His point was that there is no coordination, there are too many silos in the health care industries, there is no communication between the different branches, between the different professionals. He said, "For instance, we're a small hospital. I send somebody 200 miles away to get an MRI. The person cannot get the MRI results over the phone. He has to drive 200 miles to go see the doctor to say there's nothing wrong with him."

What's your comment to this? Because that's very costly. When we talk about accountability, I don't think that's being accountable.

Mr MacKinnon: One of the things we have to do has to do with our analysis of the system. We have to be very careful not to elevate anecdotal experience. We in fact polled in our report card how people feel about the continuity of care between hospitals and other institutions, and at the moment 90% of the people of Ontario are entirely satisfied with that continuity. There are all kinds of people who have made a living elevating their own personal anecdotal experience as proof of something, and it is not. I submit to you the proof is, what do the people of Ontario think about continuity; what is their personal experience? At the moment, in a report card that we released about a month ago, 90% of them are happy. I know that view he expressed is a common one, but unfortunately from the point of view of many who argue it, generally speaking the public do not agree with it. The people who access the system feel overwhelmingly that continuity of care is good, and I'll give you the reference to the section of the report card that goes into that question in some detail.

Mr Beaubien: Having sat on a hospital board for nine years myself, and having worked in a hospital setting for two years, I would tend to agree. Yes, I agree that the public, once they access the system, are very satisfied. I can speak from experience with our own son last year. However, the perception—and you mention the media—is not there that 89% to 90% of the people are satisfied with the level of care they're getting. That's not the perception out there.

Mr MacKinnon: That is exactly why we do report cards. Everybody has a personal anecdotal experience. I can't go anywhere without getting to listen to all those anecdotal experiences. One of the reasons we in the Ontario government have partnered on this system is so that we can give the consumers a voice, and that voice is that they're quite satisfied—10% is not good enough; there's much more to do—with the service once they access it. In particular, comments made by that hospital administrator—I don't know who it was—are not reflective of

the general public experience. He may have his personal views, and that's fine, but the public view is different. Ninety per cent of them are quite comfortable with the continuity of care, with the relationship between hospitals and the rest of the community, and they know it's steadily improving.

The Chair: Thank you. We move now to the official opposition.

Mr Patten: Good morning. I've read many of these points that you've made before, most of which I agree with. But there is one that I would like to address, and that is when you talk about, for example, healthy lifestyles and disease management and all these kinds of things. As you know, I had a personal experience, which was very enlightening. I'm going to ask you a question about what changes you see being required or necessary in our medical schools because, quite frankly, I find our doctors to be very narrowly trained. They're almost like technicians. They have very little understanding of diet—and this is a generalization; it's not true in many instances. I now have a doctor who is far more aware than the previous doctor I had. But many doctors I speak to are not trained in appreciating the full range of lifestyle, social context, exercise—the things you've identified here.

Where do you start this? Are the medical schools getting with it and saying, "Listen, there's a function"? That's question number one. Number two, quickly, is that I think we have a series of linear treatment-oriented diagnoses that you go through, without having a multiplicity of people who can look at the patient—the patient is in the centre—and say, "OK, here's what's going to happen to you. You're going to take chemo. Now let's sit down with someone else, a social worker or whoever it is, and let's talk about what your situation is like at home," or your diet or whatever it may be; you know what I'm getting at. What's your reaction to that?

Ms Lapaine: I could start with that, Mr Patten. Particularly on the doctor issue, I had a lot of contact. I was fortunate enough to sit on the Peter George panel on health human resources, and we had a lot of contact with the new young doctors. I would agree with what you said about the older generation. I do really feel that medical schools have begun to see the difference. In fact, the big cry of new young doctors coming out is lifestyle and how they're going to live and how they're going to live healthier and how they're going to spend more time with their families. I think if they want to do that in their own personal lives, then they're going to put that forward to their patients.

One of the things I was so pleased to hear is that it's not all marks now that put students into medical school; there are interviews. Obviously, you have to have good marks, but it isn't necessarily the highest marks that get in; it's the people who put forward the right concepts for health care. So I hear you. I think it has definitely been the case. I think we will improve.

As to your second question, and I will certainly let David answer it, I would very quickly say that I agree

that the patient isn't in the centre enough. Even back to Mr Beaubien's remarks, I think technology is one of the places where we're falling down tremendously in health care.

The Chair: We're going to have to move to the NDP.

Mr Christopherson: Thank you for taking a moment to comment on that; I appreciate it. There's all kinds of evidence to support the fact that we pay for it in your system. Mr Sampson and I are both former correctional ministers; we know the price we pay there.

Mr Patten: Me too.

Mr Christopherson: Yes, Mr Patten too. I'm sorry. You weren't here with us during the week when we were making references. So we know the costs across the board.

Interjection.

Mr Christopherson: Yes, we should form a club, eh?

I want to ask, though, the obvious question this morning, and that is, what are your thoughts on the federal-provincial agreement?

Mr MacKinnon: Well, we haven't gone into the numbers in detail. First of all, I think we have to recognize that there was a provision for some funding for the existing system, which, given our solvency challenges, is clearly welcome. We hope there is some flexibility among the various compartments in which this agreement has been reached, to respond to a particular provincial situation. For a lot of reasons, including the one I mentioned, Ontario's situation is unique.

We think, though, that as a society we face a trade-off. We have to get on top of some of the lifestyle issues, including child poverty issues, or there never will be enough money to provide the health care system with the resources to correct all the problems after they've occurred. The issue we see is, how do we engineer that kind of transition? The present agreement probably buys us some time to do that, but it probably doesn't buy the time that many people would think because of the amounts involved. What I hope is that it's an opportunity now to address the more fundamental issues driving health care costs, and those are not how the system is organized or managed; they are in how we live. If they can do that, it would be great.

The Chair: Thank you, Mr MacKinnon and Ms Lapaine. We appreciate your input this morning.

Mr MacKinnon: Thank you for the opportunity to be here.

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RETAIL COUNCIL OF CANADA

The Chair: Our next presenter is the Retail Council of Canada. Please state your name clearly for the purposes of Hansard. As you seem to be aware, I think, you have up to 20 minutes. Any time left over will be for questions. Welcome.

Ms Lisa Marsden: I am; thank you. Good morning. My name is Lisa Marsden and I am the director of government relations, Ontario, for the Retail Council of

Canada. I think most of you are used to seeing my colleague Peter Woolford here delivering the pre-budget submission. Unfortunately, I drew the short straw this year and I'm here instead. Peter is actually wrestling with the feds on some issues like bank mergers and innovation strategies, so I've taken over the Ontario file. It's my pleasure to be here.

The Retail Council of Canada has been the voice of retail in Canada since 1963. Like most associations, we are a not-for-profit association that represents 9,000 members across the country. In Ontario, that represents about 23,000 establishments. Our members embrace all retail formats: department stores, independents, specialty stores, discount stores and on-line merchants. More than 90% of our members are small independent members. As the graph shows, 42% of our membership is based in Ontario.

The retail industry is one of the most competitive and vibrant sectors of the economy. It generates \$100 billion in sales in Ontario annually and is 5% of the GDP. With more than 44,000 storefronts in Ontario, we are the largest industry in Ontario when measured by establishments or outlets.

Employment in the retail sector represents 11.7% of the province's total employment, directly employing over 700,000 Ontarians. We are the second-largest employer in Ontario, behind manufacturing.

Despite our significant size and scope, we are a business of small businesses. The majority of our businesses employ fewer than four people, with less than \$500,000 annually in sales. As graphs 2 and 3 illustrate, more than 19,000 businesses employ between one and four people, and more than 70,000 of our businesses have sales of less than \$500,000 annually. So this is truly a business of small businesses, and yet the contribution made by our industry is felt in every corner of the province.

When we look at the economic review and outlook for this industry, we are faced with significant challenges in consumer confidence, and yet retailers have managed to show a respectable growth in the two most recent years. In 2001, we posted growth of 2.9% in Ontario in the retail sector, and in the first 10 months of 2002, we grew by 5.9%. Nonetheless, these rates were well below the national average of 4.5% in 2001 and 6.5% in 2002 for the retail sector.

The retail outlook for 2003 is uncertain. As the minister noted in her statement to the Legislature in December 2002, "Many uncertainties remain in the global economy as we move toward 2003. Ontario is not immune to external influences." The minister is correct in noting that businesses are cautious about the economic horizon. Global events, such as rising tensions in the Middle East, volatile stock markets and the slumping US economy are indeed on the minds of retailers. Even with these external factors being absent, Ontario's economy will be challenged if the US economy just simply grows slowly.

Set against this uncertainty, however, Ontario has shown a remarkable resilience in its economy, and at

least part of this credit should go to the government's fiscal and economic policies.

We've just completed our first quarter 2003 retail conditions report, and I have some top-line results for you today. Retailers are anticipating a 3% to 4% growth in Ontario; however, comp stores, which are stores that have been open for more than one year, are anticipating a 2% growth. This is a more accurate reflection.

Despite this moderate growth, they anticipate they'll be able to remain profitable, the reason being that they expect to see merchandise prices falling, and as a result they hope to offer lower prices to their customers while at the same time remaining profitable.

We do expect to see additional store openings following the growth in Ontario's population. There are two segments of the market that are doing some interesting things. Home furnishings or anything to do with home renovations is very popular and the growth is strong. However, one of the markets that seem to have a little bit of tension going in them now is what we call consumables—food or packaged goods—and that's mainly related to weather conditions and the price of products as a result of those weather conditions.

Turning to current fiscal policy, while retailers recognize that global influences are beyond the government's control, there are a couple of fiscal policies that the government should adhere to.

First, in tough economic times, the most important role the government must play is to sustain consumer confidence. This needs to be accomplished, in our opinion, by the development of a balanced budget and the completion of promised tax cuts. Retailers do not support a return to deficit budgets. As you can see from graph number 4, 95% of our members, when asked, strongly support a balanced budget.

As retailers who know the bottom line, they expect the government to live within the bottom line. Ontarians have clearly stated that they expect their government to live within its means. Failure to do so would raise concerns and overall economic instability.

Staying the course on tax cuts is equally important to our members. Failure to honour the commitments would have a significant impact on them. They were pleased to hear the minister's announcement earlier in the hearings that she would go forward with those commitments.

Turning to one of our specific policy issues, I want to talk about the employer health tax. This is perhaps the most important issue to our members today. As this committee is aware, the employer health tax is a profit-insensitive tax and has a disproportionate impact on labour-intensive industries. As the second-largest employer, this is a particularly important issue for us.

We supported the government's initiative to eliminate the employer health tax on the first \$400,000 of payroll. That helped our industry create 76,000 new jobs between 1996 and 2001. We now believe that initiative needs to be revisited. Our members, while they support the outright elimination of that EHT level, support increasing it

to the first \$600,000 of payroll to at least lessen the gap between other jurisdictions.

Ontario is currently only one of five provinces, along with Newfoundland, Quebec, Manitoba and the Northwest Territories, that saddles businesses with this type of payroll tax. We believe it's important to address this issue. The benefits would affect employers, employees and the economy in general.

The next issue I briefly want to touch on is WSIB rates. Although it's not a budget issue, we wanted to bring it to this table because it's a significant payroll tax for our members. I'm not sure how many of you are aware, but the WSIB this year proposed a 7.5% overall increase in premium rates. That was completely unacceptable to our members and we objected to it strongly, along with other employer-based organizations.

The WSIB responded by reducing that to 3%, and announcing in an unprecedented fashion that in 2004 there would be another increase of at least 3%. These increases are completely rejected by retailers and, to be quite honest, offensive to retailers, for a number of reasons, and I'm going to tell you why.

First, the increase is not due to accident claim increases. It is due to revenue reductions as a result of market investments and higher health care costs, two issues completely out of the control of employers. While we appreciate these pressures, we do not think that such significant increases as 7.5% should be tied to these issues alone. The WSIB needs to bring forward a plan to deal with those types of issues.

Retailers believe that the Ministry of Finance, together with the Ministry of Labour, should ensure that WSIB rates and premiums are correlated to increases in accident rates and claim costs, not to external factors.

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The second reason retailers object to the rate is because, instead of reviewing its own administration, the WSIB made a conscious decision to pass these rates along to their customers: employers. When looking at the WSIB's administration costs, the WSIB ranks third among all provinces with the highest administration costs per claim. Only New Brunswick and Nova Scotia posted higher administration costs. Administration expenses at the WSIB totalled an alarming \$474 million in 2000. RCC members strongly believe that prior to any further premium increases, the WSIB must bring forward a plan to reduce their administration costs. The Ministry of Finance has played a key role in controlling government expenditures and we now believe they must, along with the Ministry of Labour, turn their attention to the WSIB.

Finally, the rates were increased or announced in the fourth quarter of 2002. Business budgets were already set and business plans were already made. They have no way to account for this rate increase, so we did a survey of our members to see how they would account for it: 64% of our members reported they will absorb the increase in their business, reducing their profit levels; 16.3% reported they will cut the number of hours employees will work; 4.7% reported they will have to cut staffing

levels; and another 15% reported that they would pass the costs along to consumers in the form of higher prices. At the end of the day we are all paying for these premium rate increases and we believe they need to be addressed and examined.

The next issue I want to turn to is environmental levies. Environmental levies are quickly becoming a very popular new revenue source for governments across Canada. Whether you call them a levy or a tax, the result is the same: higher costs for businesses and consumers.

The government of Ontario has created the Waste Diversion Organization. RCC is a voting member on the board and a voting member on the Industry Funding Organization's Stewardship Ontario, which has been tasked to raise 50% of the municipal blue box costs for this year. This year, those costs are \$19.9 million, commencing May 1. In 2004, those costs will be over \$32 million. What this means is that Ontarians will pay \$19.9 million more for products and services in Ontario this year, and in 2004 more than \$32 million.

Retailers support environmental stewardship programs; we're not here lobbying against them. We engage in them across the province in tires, batteries, paint and other programs. What we're asking for is to make sure that any programs that are developed are administratively efficient and meet their objectives. We have a couple of suggestions, of course, on how that can be done.

First, where possible, programs must be harmonized. We believe the Ministry of Finance should get engaged in this process and advocate for harmonization. Second, if programs become too administratively costly to comply with, the Ministry of Finance must become involved to advocate on behalf of business. I'll give you an example. The current blue box program supports a sectoral calculator. The sectoral calculator will be used to help businesses calculate their obligation. Without a sectoral calculator, businesses will have to undertake what are known as packaging audits. Estimates for packaging audits have ranged from \$100,000 to \$250,000 per company annually. This amounts to millions of dollars simply to comply. This is above and beyond the levies. Retailers cannot afford that and want the Ministry of Finance to urge the Ministry of the Environment to accept a sectoral calculator.

Finally, retailers want the ability to display levies on sales receipts. We've heard mixed opinions from the Ministry of Finance and the Ministry of the Environment whether this is available. It is important to us. We believe consumers need to know why the cost of goods has gone up and what programs it is associated with. It's an educational tool and a constant reminder of the program it supports and it will increase compliance. That's all I'm going to say about environment levies at this point in time.

The next issue is energy prices, one that's all near and dear to our hearts. As you all know, the Premier announced on November 11 an action plan to reduce energy prices to all consumers. Unfortunately, all consumers are not benefiting from lower energy prices, the majority of whom are our members. The cap only extended to small

businesses, businesses that had 150,000 kilowatt hours per year. Unfortunately, this cap really isn't catching small businesses. I'll explain in a minute. This apparent change in policy position was done without consultation of our industry. We've since met with the Ministry of Energy and the Ministry of Enterprise, Opportunity and Innovation and are in discussions.

I wanted to draw your attention to a couple of the results of a survey. First, 17% of our members do not get the extended cap outright. Thirty-one per cent of our members did not know whether they get access to the cap. This survey was taken in the second and third weeks of January. When we investigated that 31%, we found that these were small businesses such as hairdressers, convenience stores and tanning salons, so they have high energy usage. Furthermore, they're small businesses that are in shopping malls or in lease or tenant situations, so they're behind the grid and hence not getting access to that cap.

Our position is that we should extend the cap to all businesses, put all businesses back on an equal footing and then move forward with a long-term strategy to address the electricity issues. As you can see from graphs 6 and 7, 79% of the members strongly support access to the 4.3-cent rate by all businesses.

I'm not really going to talk about the last two issues; I just wanted to bring them to the attention of this committee. We're working with ministry officials on them. There are tax simplification issues. Currently, Ontario's tax application on herbals and naturals and bottled water is out of sync with federal application or other provincial jurisdictions.

On bottled water, we're applying PST differently than GST is being applied, which is causing confusion among customers. They're often accusing retailers of applying it incorrectly. In many cases, retailers will just pay it to avoid that situation. So we need that to be cleared up. We're supporting a change in policy position that would make it consistent with the GST.

On herbals and naturals, it's an interesting situation. Marketing is driving tax application. If the herbal or natural makes a claim that it has a health impact, it becomes a drug, and it's taxed. If it doesn't make that claim, it's a food, and it's not taxed. Now that Health Canada has come out with NHP numbers clearly identifying what's an herbal or natural, we're suggesting that the ministry either tax all of them or exempt all of them and end this kind of marketing-driven taxation.

I'm going to close there. Just note that in your package is a copy of our Canadian Retailer magazine in which there is an article on Waste Diversion Ontario and the blue box program. You can read it at your leisure. If anyone wants to be on that subscription list, have your employees contact me, and we'll put you on the subscription list.

The Chair: We have about a minute each. We begin with the official opposition.

Mr Patten: I don't really have a question, but I do appreciate the comprehensiveness of your presentation. I

think you do point out a number of discrepancies, from your point of view—and I really do appreciate that—in terms of the application of the qualifications for the energy uses, which I think is fair enough.

I will ask you one, though. In the States, the pharmaceutical companies are making a big push on vitamins, herbal tonics and things of that nature to force them into going through some of the research they've had to fund, which would have an impact, of course, on their category and sales. What's your response to that?

Ms Marsden: We take a bit of a different position because we're retailers, not manufacturers. For us, it's either all taxed or it's all tax-exempt. We don't advocate a position either way. We just want clarity and simplification so that at the till we're not getting into arguments with our customers about whether this product is taxed or not taxed.

The Chair: We move to the third party.

Mr Christopherson: Thank you very much for your presentation. Please tell Peter I missed him this round. This is my last go-round on these because I'm not running again.

Ms Marsden: I'll let him know.

Mr Christopherson: Please do. We had some engaging discussions over the years.

Ms Marsden: I understand that. He briefed me fully.

Mr Christopherson: I figured he might.

Just to end on that note, I want to pick up on where you were on page 9 when you talk about tax cuts being the priority, to maintain that. We heard earlier from child poverty advocates that one in five children are in poverty. One would ask the question, "Why would you want to have tax cuts if you can't afford a thing?" Your argument would come into the second sentence, which is, "Failure to honour the commitments made would harm consumer confidence and reduce disposable income."

I understand the argument. I said to Peter many years ago, "It's not going to work." It didn't work. We have more children in poverty now than we did before. We've gone through the greatest economic boom we've ever seen in North America. How on earth can you continue to justify that tax cuts are the absolute priority over everything else?

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Ms Marsden: I think what you see us advocating in our position is the completion of the promised tax cuts. Not completing those tax cuts will send a signal to consumers that economic policy and a slumping economy—we're advocating completion of those tax cuts to boost consumer confidence, keep people spending and keep the economy going.

Mr Christopherson: We heard that argument in the good times and it didn't work.

The Chair: We move to the government.

Mr Sampson: We heard early last week—it seems such a long time ago—from the economists who came before us that their assumptions for future growth in the economy were based upon a continuation of the consumer basically driving the economy. One of the econ-

omists—I think it was from Scotia—even said that if it weren't for the consumer, given that there's no growth south of the border on the trade side, we'd be in a real big mess. Those are not his words, those are mine, but it's a summary of them. It ties in very directly to what you've been saying about the retail sector: "That's where the consumer buys the stuff, so if you don't see it through our sector it'll back up somewhere else." I think people need to be mindful of that. It's not appropriate to have child poverty, but it's also not appropriate to have more people unemployed and more people in that situation either.

Mr Christopherson: We've heard that argument; it didn't work.

Mr Sampson: Well, there's a million people—

Mr Christopherson: And there's more kids in poverty than there were when you took office.

The Chair: Do you have a comment, Ms Marsden, to conclude?

Ms Marsden: I'm not sure there was a question.

The Chair: OK, that concludes the presentation. Thank you, Ms Marsden. We appreciate your input.

Mr Christopherson: I hope we didn't let Peter down.

Ms Marsden: I don't think you did.

RAILWAY ASSOCIATION OF CANADA

The Chair: Our next presenter is the Railway Association of Canada. For the purpose of Hansard, we ask that you clearly articulate your name when you speak. Welcome, gentlemen.

Mr Bruce Burrows: Thank you very much. Good morning. My name is Bruce Burrows and I'm vice-president of public affairs and government relations for the Railway Association of Canada. We're pleased to present a brief to the standing committee this morning central to the rail industry and the competitiveness of shippers in Ontario.

Joining me this morning is James Allen. James is general manager of the Ottawa Central Railway here in Ottawa and is a strong representative of the entrepreneurial rail business emerging in this province. Chris Jones is director of provincial government liaison for the Railway Association of Canada. Ron Mason is manager of property taxation for Canadian Pacific Railway and a core member of the RAC's Ontario taxation committee.

Ontario is at a crossroads in transportation. On the one hand, the province of Ontario faces many road congestion, environmental and funding challenges, to the point where the current model is not sustainable going into the future. On the other hand, Ontario's railways are making a significant contribution to the growing Ontario economy. However, if railways are to play an even greater role in addressing those challenges I mentioned, then certain barriers will need to be removed. That's why we are here today: to talk about both levelling the playing field and helping Ontario attain a world-class transportation system that it can showcase to the rest of North America.

We have passed around a brief in front of you. I'll just refer to page 3, to begin with, "Rail: An Economic Engine in Ontario." As an industry, we employ 10,000 people in the province. We have 23 railway members operating in Ontario, as illustrated on the previous page, where we've put a map together for you showing where each of those railway lines is.

Ontario trade gateways handle 65% of Canada's trade with the US, including about 80% of Canada-US rail trade. So Ontario is important for rail, but rail is also important for Ontario; 44% of southbound exports to the US move by rail and 41% of Ontario's goods depend on rail to reach market.

Ontario railways spent over \$200 million on capital project improvements in 2001.

Turning to page 4, as an example of Ontario's contribution to the engine of the economy in the province and our role to try to reduce some of the congestion on the highways, virtually 100% of interprovincial and Canada-US finished auto traffic moves by rail. That covers all the auto companies, including General Motors out of Oshawa. We're moving 90 million tons in total through Ontario annually; that's equivalent to over five million truckloads of traffic. Recent successes include moving quite a bit of Algoma Steel traffic into Hamilton; that reduced traffic on Highway 400 by 10,000 trucks a year. DaimlerChrysler has recently signed on to a new truck/rail system. The equivalent of over 40,000 trucks have been taken off the roads in that Detroit-Toronto corridor. GO Transit, on the passenger side, as I think many of you are aware, is moving a tremendous number of people, equivalent to about 48 highway lanes of traffic in their peak rush hour periods.

So rail is a solution to Ontario's challenges.

Mr Chris Jones: I think it's important that the government recognize the contribution rail makes to addressing the transportation challenges in the province and to Ontario's economic growth. International trade, as you may know, is growing about three times faster than domestic trade, and using rail to help handle this additional freight would produce significant savings in public infrastructure costs, particularly on Ontario's trade corridors.

The other trend that we've noted is the increasing urbanization—the tendency of new immigrants to locate in and around the GTA area; many Canadians moving from rural parts to the urban areas. This is occasioning significant new road usage and a commensurate increase in the consumption of land, environmental impacts, cost to government for repaving highways and so on.

Essentially, if you turn to the next page, it's our belief that the transportation sector, as it's presently set up, is not sustainable in financial terms. The government's transportation ministry, MTO, spent \$1.3 billion in fiscal year 2002-03 on roads; that number will only increase as we go forward. One of our contentions is that there's a lack of full cost accounting and clearly a need for road user charges, initially, in the first instance, on commercial road users, because this is depriving the government

of a revenue stream. Many other jurisdictions around the world have this kind of system; we do not yet have it in Canada.

It's also our belief that the transportation sector is not sustainable in social or quality-of-life terms. There are some significant indications of that. The cost of accidents is huge. Transport Canada estimates that accidents cost the country as a whole \$25 billion annually, massive use of police time, emergency response vehicles, these kinds of things. Gridlock is clearly a big problem in Toronto; the latest numbers indicate that delays in deliveries are costing the Toronto area about \$2 billion alone.

The other issue that isn't brought up as often but about which there is an increasing body of literature now confirming is that all this increase in traffic is decreasing the mobility of children and youth. They're increasingly being driven to work by their parents. They're not walking, as I did when I was kid. So there are a lot of issues that are affecting the ways our society is functioning.

On the environmental side, the rail sector is accounting for only 4% of the total GHG emissions from the transportation sector. Very quickly, I just draw your attention to the fact that we increased the amount of freight that the rail industry hauled by 29% between 1990 and 2000, yet over that same decade fuel consumption fell 3.5%. In other words, we're doing more and consuming less fuel.

Finally, the important thing to note that has come out of the Canadian government's action plan on greenhouse gases is that of the 26-megatonne increase in GHG emissions from the transport sector, two thirds has come from the road freight sector. Clearly, that's the growth sector. We believe rail is part of a solution to that.

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Mr James Allen: I'm pleased to say that rail is doing more. Ontario railways continue to work to do more in a significant reduction in rates, considerable productivity improvements, and there's been a dynamic fit between short lines on lower-density lines and class 1s on the higher-density lines. Short-line railroads are providers of high-level, in-your-face local service to shippers in the geographic locations in which they are located. In the case of the Ottawa Central Railway, we own, maintain and operate our freight trains over approximately 125 miles of track and right of way. Additionally, we operate over another 100 miles through succession running rights and interchange traffic with both Canadian National and CP Rail. The Ottawa Central Railway carries a broad range of commodities including finished and scrap steel, fertilizer and grains, propane, wood pulp and paper, OSB and MDF, sand and crushed rock, telephone poles and even computers, serving over 30 customers in eastern Ontario and western Quebec.

The short-line railways are run by entrepreneurial, out-of-the-box thinkers who constantly work at new ways to grow their businesses. An example is the development of trans-load facilities like the one OCR has in Walkley yard. A shipper does not have to invest in expensive

infrastructure. He can simply ship by local truck from his plant to the trans-load centre where his product is loaded onto a rail car and shipped to its final destination. An example of such a move is wood pulp originating in Espanola, shipped by rail to Ottawa, warehoused and shipped to final destination by local truck. This move has resulted in the reduction of 10,000 trucks over a five-year period from our overcrowded highway system.

If I could have you turn to page 7, please. Railways paid over \$119 million in taxes in Ontario in 2001. We feel railways in Ontario are disadvantaged relative to other modes of transportation by a significant margin. A larger part of their costs are fixed provincial and local taxes. In short, short-line railways are low-margin businesses. The viability of our industry is deeply affected by the current level of taxes.

Mr Burrows: To be more specific, on page 8, I want to turn to and bring two issues to your attention, the first being property tax. Railways pay property tax for railway corridors, which they finance and get few services for. We pay approximately \$20 million of property tax in Ontario on our corridors. On the other hand, commercial road users pay no property tax for the benefit of using roads that are publicly funded, often through property taxes, and which are confirmed to be highly subsidized by a number of third-party studies. Privately run toll roads, for example, such as Highway 407, are tax-exempt.

We are very focused in terms of our investments in Ontario on the railway corridors. We're such a heavy capital-intensive business that we have to invest over \$300 million a year in terms of maintaining those corridors. Of course, on top of that, I mentioned earlier the capital project investments of over \$200 million every year in the province.

The government of New York, in contrast, if you look at some of the neighbouring jurisdictions to Ontario, just last week signed into law the Rail Infrastructure Investment Act legislation, which cuts railway property taxes by an average of 45% and exempts capital improvements from local taxation for 10 years. Quebec, on the other side, grants a 75% tax credit for property taxes paid on corridors—again, the focus here on corridors—and also has an infrastructure investment program for the short-line sector. Michigan has a 100% credit on its maintenance-of-way expenses.

On the next page, the second issue being capital taxes, capital tax is a clear disincentive to investing in Ontario's economy. As indicated, as one of the, if not the, most capital-intensive sectors in the economy, we're highly affected. We're paying over \$7 million every year in Ontario in capital taxes.

Finally, just to focus in terms of going forward with the budget 2003, what can be done?—page 10, number one. On property taxes on the rights of way we certainly want to commend the government for undertaking a review of Ontario's property tax regime through MPP Marcel Beaubien. We've tried to make it quite clear that the taxation of rail corridors is inequitable and unfair.

We're planning a more thorough follow-up with the government in terms of digesting and commenting on the Beaubien report recommendations. We have proposed through that process a maintenance-of-way credit as a means of encouraging investment in Ontario's rights of way, and we'll talk a little bit more about that in a second. Second, on capital tax, we certainly commend the government for proposing to eliminate the capital tax in the budget 2001 and would encourage them to move forward on that.

Just a couple of points before we end up, further to the Beaubien report. The entire industry faced significant increases during the late 1980s to mid-1990s on its property taxes, and then with reassessments there was a tremendous shifting of that heavier burden on to the right of way, and they've been frozen in place since 1987 or plan to be frozen in place through a phase-in process which will conclude in 2005. We are looking in essence for a long-term solution, and that's really what we need to do. In the meantime, we feel that we should maintain the current property tax freeze, pending development of that long-term solution; and importantly too, we need to develop a comprehensive definition of short-line railways that is truly reflective of the business environment that we're operating in.

To conclude, last page, Ontario's economy and communities can benefit from more innovative contributions to the supply chain. With the implementation of these policy changes in budget 2003, Ontario could start to effect change by addressing the rail's property tax concerns, maintaining the freeze and then working with the industry, including the short lines, on a long-term solution to the corridor problem. Second, eliminating the capital tax would certainly also go a long way as well.

On that note, I conclude, and perhaps we can open it up to any comments and questions.

The Vice-Chair (Mr Ted Arnott): We have about five minutes in total for questions and answers, and I'm going to be strict with the time again. We'll start with the New Democrats—a brief question and answer.

Mr Christopherson: Thank you for your presentation. Let me say at the outset that I'm a huge fan of railway in terms of its importance to—look at the history of the country. I think that importance has transferred itself to the era where we're now actually getting serious about dealing with pollution.

The points you've made here are solid and, if anything, we should be looking at trying to expand the use, both in terms of freight delivery and passenger movement, right across the board. So I want to say clearly that I'm very supportive of that for society, for our country, in terms of the future.

Having said that, I've been in this government at the provincial level; I've also been in municipal government. I've got to tell you, dealing with railways is quite the undertaking because—I'm just going to say it straight out—with the kind of legislation that you have, you're like a government unto yourselves. I've had huge issues, like trying to move railway yards and trying to initiate

discussions there, but even simple things like trying to get fences mended on corridors where they're abutting roadways—very, very difficult. So I just leave that there. You can comment on it.

The Vice-Chair: Mr Christopherson, could you move to a question?

Mr Christopherson: Well, I may, or I may use my time making a statement.

The money that you want in terms of relief of the property tax—I've got a real problem there. Municipalities are dying right now in terms of all the infrastructure problems and lack of money to do it, and all you're really going to do if you're successful at this, unless this government agrees to give that \$20 million back to municipalities, which is not likely, is you're just going to further impoverish the very municipalities that you service and the businesses therein. You're making money. It's not like the whole thing is ready to collapse.

The Vice-Chair: Thank you, Mr Christopherson. Sorry, I have to move on.

Mr Christopherson: That's fine. I appreciate that. Thanks, gentlemen, for listening.

The Vice-Chair: We turn now to the government side.

Mr Beaubien: Gentlemen, nice to see you again. To take up from Mr Christopherson's comment, and you alluded to New York, to what's happening in the States and Quebec: I know it's a challenge, and property assessment is in constant change, and there's no doubt that further discussion has to occur.

We have to be sensitive also, like he pointed out, to the revenue stream of the municipalities. I think I did discuss this issue with you. There are some issues that were addressed maybe favourably, as I'm sure some of them were not addressed favourably from your point of view. You have to maintain the balance, and when you look at the overall burden of the tax that you pay, whether it's property tax, retail sales tax, capital tax or whatever, you compare quite favourably with many of the other industries in the Ontario economy.

We all have a responsibility, as taxpaying corporate citizens or a private individual, to pay our fair share. I know there is always this debate as to what is the fair share.

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The Vice-Chair: Mr Beaubien, do you have a question?

Mr Beaubien: No, I guess just a comment, like Mr Christopherson.

The Vice-Chair: I'll turn now to the Liberal caucus.

Mr Patten: I just want to say thank you for coming. It's good to see my old friend Jim Allen. We went to high school together many, many years ago.

I agree with your analysis of the discrepancy between the trucking business and what they don't have to pay and the damage they cause to much of the roadways. Frankly, I think that is a source of making some adjustments.

I will ask you this. It seems to me that the rail system is hitting a new age, a new day, and more people are seeing the potential of it for environmental reasons, for space reasons, for the advances in new technologies and learning something from other jurisdictions like Europe etc. On the side of investment in capital and equipment, I didn't see anything here on that in terms of subsidies, in terms of incentives or in terms of innovation programs that are available through federal-provincial programs. Can you talk about that, the supports that are there for new developments?

Mr Burrows: Sure. Two quick comments on the previous questions just so I can address those.

I do acknowledge, Mr Christopherson, the issues you raised, which we call proximity issues in terms of our relationships with the neighbouring municipalities that we operate through. We recognize that improvement is needed in terms of how we deal with municipalities. What we've undertaken is a new initiative with the Federation of Canadian Municipalities, and that flows down through the Ontario equivalent. Just in the last few months, we've struck a proximity accord with the federation that lays out step-by-step procedures that should be followed in dealing with municipalities, and an arbitration process if it's not to the satisfaction of municipalities. We're quite encouraged by that and do hope that that will go a long way in addressing the issues you've raised.

Mr Christopherson: I'm glad to hear that.

Mr Burrows: Mr Beaubien, the issue of paying for our fair share of taxes: Ontario is the second-highest, if you look at the entire tax burden jurisdiction in North America, for railway taxes. We feel we're more than paying our fair share. If you look at our competitors that operate on highways—that have been downloaded to the municipalities, I should add—that burden and those costs are now fair and square on the municipalities' shoulders. To the extent that those trucking companies, for example, large commercial outfits, are being subsidized, that's now costing municipalities a lot of money every year.

The Vice-Chair: Thank you very much for your presentation. We really appreciate your advice.

I'll call forward our next scheduled group, the Ottawa-Carleton Elementary Teachers' Federation. Is there a representative in the room of the teachers' association? Seeing none, I'm going to next call upon the Ottawa-Carleton District School Board to see if that group is represented here. Yes, it is.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

The Vice-Chair: Are you prepared to make your presentation?

Mr Jim Libbey: Yes, I am.

The Vice-Chair: Thank you. Welcome to the standing committee on finance and economic affairs. You have about 20 minutes for your presentation. Would you intro-

duce yourself for the purposes of our Hansard record, please.

Mr Libbey: Certainly. My name is Jim Libbey. I'm the chair of the Ottawa-Carleton District School Board. I'm ready to go whenever you're ready.

The Vice-Chair: Ready to go. We're in your hands.

Mr Libbey: We are handing out a speech. I intend to just go through it verbatim, and then I'll be very pleased to enter into any discussion or questions that the members may want.

Mr Chair, members of the standing committee, ladies and gentlemen, we thank you for this opportunity to appear once again before this committee as it conducts pre-budget consultations leading up to the next provincial budget. In our fine democracy, this is a very important process.

As the chair of one of the largest school boards in Ontario, my focus will be on the education budget. But the government establishes funding for public education in the context of other major financial decisions, so I will also discuss this broader context. Since recent evidence indicates the need for some longer-term thinking about the costs and funding of public education, I'll explore the need to connect the education portion of this budget to a longer-term plan. In fact, we are essentially challenging all provincial parties to study their education platforms carefully and to update them to reflect the recent evidence that has confirmed the concerns expressed by trustees and others across Ontario in recent years. As we speak, I do not see a platform from anyone that will really meet the needs of our youth and the expectations of the people of Ontario.

So my presentation will be in three brief parts: first, public education as a key to our economic and social success; second, public education at a financial crossroad; and finally, public education beyond 2003.

Last summer the government commissioned Dr Mordechai Rozanski, president of Guelph University, to conduct an independent examination of the education funding formula. I should begin by congratulating and thanking the government, and Minister Elizabeth Witmer in particular, for having launched this review fully one year before they were required to do so by the Education Act. This was an appropriate response to the concerns of trustees, parents, senior administrators and teachers and so on right across the province.

I will refer to the financial results of Rozanski's work later. But as it happens, Dr Rozanski also included in his report a very succinct and powerful summary of what public education is about. On page 14 he states as follows: "Education advances the well-being of individuals in society and of society as a whole. It expands the opportunities available to individuals, enables people to fulfill their potential, underlies economic success, and enhances social cohesion. For those reasons, in democratic societies, universal access to education is a common value and public education is seen as a fundamental responsibility of the state."

This statement speaks to public education both at the level of the individual and at the level of the community. Education advances the well-being of individuals in society, expands the opportunities available to individuals, and enables individuals to fulfill their potential.

Through doing all that for individuals, education advances the well-being of society as a whole, underlies economic success, and enhances social cohesion. When we fail to provide the necessary programs at the necessary levels of service, individuals by the thousands lose benefits immediately; in the short term, they are condemned to underperform in both economic and social terms. Over time, and it will not take long, this underperformance is reflected in the productivity and social cohesion of Ontario society. This is why we often hear that the investment in education is perhaps the most important investment that we can make.

There is a clear link between the lack of resources to provide programs, such as special education and English as a second language, and the cost to individuals. With early assistance, students who need these services can overcome their disabilities or at least learn coping strategies. Without these services, they will at least underperform and in some cases they will become burdens on our social system or even our criminal justice system. This is the ounce-of-prevention perspective on education: \$1 invested now could save \$7 later on.

There is yet another way of looking at this. We know that our prosperity as a province depends in large measure on the quality of our communities. Our cities and towns will be successful in the future to the extent that they are able to attract a competent workforce, which will largely be comprised of knowledge workers. These citizens will come, and they will stay, if and only if they are satisfied with the quality of life. A key aspect of the quality of life for these people is the quality of public education. Simply put, as we improve the reputation of our education system, we will attract and retain more and more workers of the future and we will increase our productivity.

In summary, effective public education is the minimum commitment owed to our young people by those of us—young and old—who are lucky enough to live in this great province. We must deliver to them the highest level of learning, citizenship and usable skills that they are each able to achieve. This ensures that they will be solid, contributing citizens. It is a happy corollary that our economy and our quality of life will continue to be among the finest in the world.

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What about public education at a financial crossroad? I assume that all members are thoroughly familiar with the report of Dr Rozanski. In short, he calculated the need for \$1.1 billion, plus the amount required to pay for the yet-to-be-negotiated salary increases related to the current year, which is another \$340,000, more or less, just to adjust the input costs in the funding formula to reflect current values rather than 1997 values. In addition to that he estimated that some \$700,000 is required to

bring programs, such as special education and English as a second language, to an appropriate level of service. The shortfall identified by Rozanski therefore exceeds \$2.1 billion, and even at that he leaves several questions open for further study.

So what have been some of the impacts of this prolonged period of underfunding? I have already noted that students with special needs and ESL students are not able to reach their full potential. We also have a very constrained curriculum, characterized by weaker arts, language, outdoor education, guidance and other programs that make such a difference when they can be offered at the level of service required. Later today you will learn about the value of outdoor education in a system like ours, and I hope you'll all listen intently to that. We have administrative staffs, including principals trying to lead two schools at once, that are stretched beyond any reasonable limit. School buildings themselves are suffering from maintenance backlogs. This is all true, not just in the OCSDB, but in school boards across Ontario, as evidenced by a letter to that effect from all 72 directors of education to the minister in February 2002.

Unfortunately, having gotten so far behind, there are those who believe we must take some time to catch up again. Even Dr Rozanski fell victim to this affordability argument when he suggested that the government take three years to complete the reinvestment in education. Each year that goes by without adequate resources compromises our productivity and our social cohesion, and adds to the mortgage of maintenance on our schools. I encourage the government to act as aggressively as possible to restore the necessary funding to our system of public education.

Beyond 2003, I would like to see many things in a longer-term education platform. I would start with a clear vision for and commitment to public education. I would ask that public education be protected from the vagaries of the economy; it is both bad economics and poor social policy to say, as some have, that the quality of public education must decline in a given period due to a weak economy. It is the job of government, I submit, to manage the financial affairs of state in a way that protects education. Perhaps instead of banning financial deficits, which are necessary evils on some occasions, I suggest, we should ban deficits in the quality of our education systems.

I would like to see regular, timely access to relevant high-quality information, and I would like a ban on the sort of misleading information that has characterized the government's portrayal of its record in education in recent years. For example, governments should not claim to have added resources and increased flexibility when in fact they have barely covered inflationary increases. Let's have truth and frankness in our communications around education.

Governments should stop talking about the power they have—we hear a lot about that—and should start thinking about the responsibilities they have assumed. From that perspective, they can find ways to continuously and

carefully improve public education over time without imposing on it the shocks often caused by change driven by political ideology. The recent audit of Ontario education policies by Dr Michael Fullan and his world-class team of education researchers—it was called *The Schools We Need*, and I hope everyone has read that as well—found that there was an overwhelming volume of new initiatives imposed on the system, a number of distracting and inconsequential policies, poor policy implementation and important policy gaps. To avoid this in the future, perhaps an independent professional organization could be created that would monitor the education system, do useful research, oversee pilot projects and so on. Their job would be to work closely with school boards and independently of government, and to make carefully considered proposals for improvement to government.

The important differences between large urban centres and the northern and rural areas of Ontario should be examined and appropriate funding changes made. The funding formula already provides for some special features of education in northern and rural areas. One needs only to examine the annual rate of immigration in centres like Ottawa and Toronto in order to be convinced that there are important differences in education requirements in these major centres. We must think carefully at the level of individual communities as we retool the funding formula.

Finally, it goes without saying that the real costs of education need to be well understood and fully funded. I call on all parties to review their programs carefully in light of Rozanski and Fullan, and let voters know exactly what they will do in the medium and longer terms to properly fund public education.

Thank you. I would be pleased to respond to some questions.

The Vice-Chair: Thanks, Mr Libbey. We do have some time for questions. I'll turn first to the government caucus. Mr O'Toole, do you have a question?

Mr John O'Toole (Durham): Thank you very much for your presentation. I don't really have any comment.

Mr Christopherson: That's it. You read the newspaper through the whole thing and you don't have a single comment.

The Vice-Chair: Order.

Mr O'Toole: I listened to every word.

Mr Christopherson: That's the first time nobody's had a question of a presenter.

The Vice-Chair: Order.

I'll turn now to the Liberal caucus.

Mr Patten: First of all let me thank you for coming forward in a truly professional fashion, when I know the way your school board in particular has been treated by this government. The cost of the supervisor today is completely absurd, when the Rozanski commission proposals came out and literally suggested that on a per capita basis your school board would probably stand to require about \$75 million. The government took over your school board because you stood fast on saying, "We can cut no further" and there was a \$23-million deficit there.

In terms of the long term, are you suggesting—and there was some talk about this—the school board should have a three-year window of planning so that they can plan adequately, not just a year-to-year thing? In fact, behind the eight ball, you find out what your figures are after you've already opened the year.

Mr Libbey: Actually in my presentation I did not reference the three-year planning window, but it would certainly be very helpful. I'm not sure how that could be accomplished, given the annual budget requirements of the provincial government, but at least perhaps some signals could be given, and that was perhaps implied in my request for a longer-term view of education funding. It is very important for us to know where we're going. I know the government was thinking, to some extent, along those lines when it suggested that we negotiate three-year contracts. Unfortunately, that has proven to be quite difficult in the circumstance.

Mr Christopherson: I should know this but I don't. Are you still under the supervisor's thumb?

Mr Libbey: Yes, our first supervisor recently "resigned," I guess would be the right word, and we now have supervisor Kyle Murray, who we have the pleasure of meeting for the first time, formally I guess, this afternoon.

Mr Christopherson: We're under the same sort of dictatorship in Hamilton, as you know. How did you get rid of the first one? Maybe you could share that with me later.

What kinds of decisions have been made by this supervisor that—let me put it this way: in Hamilton the decisions being made are very consistent with what the government wants—quelle surprise—and it's doing a lot of damage throughout our system. I wonder if you're sharing a similar experience here, or is your supervisor listening more to you than ours is, "you" being trustees?

Mr Libbey: First of all, we didn't do anything, as far as I know, to get rid of the first supervisor. All he said was that he didn't plan to stay around as long as it appeared to be required to do the job that he thought was necessary.

As regards the kinds of actions that the first supervisor, Mr Beckstead, took, you'll remember that last August he made his initial cuts, being \$3.7 million to special education and about \$1 million in so-called savings by twinning schools, hence my reference to principals who have two schools to manage, which is not, in the view of many, a very good way to go about it.

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Certainly, the special education cuts were challenged in court and to the extent that the scope of the court case permitted, those cuts are now being reversed, which is a start, but I certainly would like to see the entire cut reversed. Given the funds that the provincial government announced post-Rozanski, one would hope that could be done. In any case, it's a big job for the new supervisor right now, Mr Murray, to figure out what he's going to do in the short term with the current-year budget and then start working on next year's budget.

As regards consultation with us, the terms of reference of the supervisor do require that he or she consult with us and that we advise. We have certainly been publicly recording our advice for the record, but the supervisor has had the very difficult job of trying to balance a budget that was not balanceable, and I guess what the experience has demonstrated is just that. It isn't balanceable, and Rozanski's work has demonstrated why that is the case.

Mr Christopherson: Congratulations on the stand that you've taken. I know the trustees in Hamilton appreciate the solidarity that exists among the boards that stood up for our kids and said, "This isn't right and we're not going to do it any more." I want to give you my personal compliments on that doing that. I commend you. It's a courageous thing to do. It's not easy. You have to weigh not only your own personal future but whether or not you're doing damage to the system and to the kids. At the end of the day, I don't think you are.

I think the reason you saw the one government member who was here to hear your presentation read his newspaper throughout your entire presentation and have no question or comment is because he holds you in total disdain and that's his juvenile way of expressing it.

Thank you very much for coming in here today, and keep on standing up for our kids.

Mr Libbey: Thank you.

The Vice-Chair: Thank you very much.

TOWNSHIP OF NORTH GLENGARRY

The Vice-Chair: The next group I intend to call forward is the Township of North Glengarry. If there are representatives of the Township of North Glengarry in the room, would you please come forward. Welcome to the standing committee on finance and economic affairs. We're looking forward to your presentation.

Mr Bill Franklin: My name is Bill Franklin. I'm the mayor of North Glengarry. I have with me Annie Levac, who is our treasurer.

I hope I don't offend anyone. This is a first experience for me in this kind of forum. I don't want to leave anything out, so I'm going to stick pretty close to the script that we brought with us. I would suggest to you, before I start, that the problems we put before you today are problems that are being experienced by most of the small municipalities that I'm familiar with. We are all facing the same kinds of situations with regard to funding and financing. I guess what I'm asking you to consider is that this is a larger problem than a problem facing one small municipality.

I start by thanking you for the opportunity to address you this morning. As I said, it's our first time. It's not something that happens to us too often. Quite often, we feel that we're confined to our own little bailiwick and nobody gives a damn whether we live or die. So it's an opportunity for us to say something to a broader base of people where possibly some things can be rectified.

Over the past years, the province has quite correctly recognized the importance of small and rural communities in its overall physical and financial health. There appears to be an understanding of the necessity for maintaining infrastructure in the large part of the province that provides food, services and in many cases living space for people in our larger centres. Neither the large centres nor the rural areas can exist independently of one another in any practical way. The Walkerton tragedy and the subsequent inquiry made it abundantly clear that the drinking water for all of us has to be protected at the source, and this means that it has to be protected in the rural areas. As everyone at the table knows, this protection that is being required has costs attached to it.

It is also clear that in a thriving society goods and raw materials must be able to travel efficiently through our system. We've got to get our raw materials in and our product out. It requires an infrastructure of considerable quality to be able to do this.

As a small rural municipality with a population of about 11,000—it's somewhere between 10,500 and 11,000—we agree wholeheartedly with the province on the importance of these items to all of us. We do not disagree with the concept of people paying the real cost of the services they use.

What we would ask you to understand, however, is that costs of these services in the rural areas are often higher than in cities due to our inability to take advantage of economies of scale, while our ability to pay for them is severely curtailed due to our small population base and our significantly larger area. I can tell you that in preparing for this, Annie and I had a number of discussions. We wanted to take a look at the ability of our citizens to pay these costs and we started off by asking the question, "Is there anybody in the municipality who makes \$100,000?" and the answer is, "No." We don't have a single individual in the municipality who earns \$100,000 a year. The economy of rural areas is very limited. The capacity to pay is likewise limited. I can give you an example. We spend about half a million dollars on our garbage pickup. I had an MPP say to me, "When I was mayor of my town, it didn't cost that much. How come it costs you so much?" The answer was, "Did you have 550 kilometres of road to travel?" Our population is scattered over 550 kilometres of road. The population density is very thin. It gets very difficult to service these areas in the same way that Ottawa or Toronto can be serviced, where everything is in close proximity to everything else.

What we would like to show you today is a picture of a municipality that recognizes its responsibilities, knows where it wants to go and has to go and is making every effort to get there. We hope you will agree with us that since the strength of the province is dependent on the strength of its communities, it is in the best interests of all of us if the provincial government helps us to our full potential.

In preparation for this morning, our council identified two major areas. They are our water and sewage system and our bridges. Pages 3 to 7 of our presentation deal

with the attempts we have made to meet our obligations in these fields.

I don't wish to bore you by reading all the details, so what I'm going to do is just touch on the highlights. If it's your pleasure to read this later, feel free to do so; the details are all there.

A brief history of what's happened in our water and sewer system: in 1998 we did sewer upgrades, did a lot of studies, found the leakage, fixed it. Our share of the costs of that upgrade was \$1.4 million. I would ask you to understand that this is being paid for over roughly 1,400 households. It's a user-pay system, so \$1.4 million over 1,400 households.

Our sewage treatment project started with the system being constructed in 1963, modified in 1977, modified in 1990; it underwent the EA process in 1988. The estimated capital cost in 1998 was \$8.9 million. The operation of this system is predicted to run in the range of \$300,000 to \$350,000 a year. Again, keep in mind that this cost is not spread among all of our residents but rather just the residents of the town. It's user-pay.

In 1980, the Ministry of the Environment hit us with a development freeze. We have several developers with land that has been waiting for development since 1980. The growth of the town has been brought to a halt. We have industries that wish to expand. I have delegations in my office asking when the freeze is going to be lifted. They want to bring executive people in; they want to bring workers in. There's no housing, and we can't do anything about it because we can't hook up because of the freeze that is related to our sewage treatment plant.

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So all growth and development is being frozen. We have a brand new official plan that says we want to have any new growth centred around the services. We can't provide any more services, so everything is at a standstill.

We did a study of our water woes. Traditionally, we get our water from three small lakes with a very small drainage basin. In dry years, we have water restrictions; I don't sleep at night, and I keep my fingers crossed. If one thing goes wrong, we have a town with absolutely no water. We've spent quite a bit of money studying what we can do about it.

In 2002, we completed an engineer's report for upgrades to the system in Alexandria and Glen Robertson. The cost of the upgrades is \$250,000 plus OSTAR funding. I understand we are the last municipality in this area to have the funding announced. Since last October, we can't find where the application is. It's somewhere between Toronto and Ottawa, and it bounces back and forth. Quite frankly, I'm getting tired of looking for the cheque.

We have other small hamlets. We did a water and sewer project in Apple Hill, which started in 1989. To complete this, water for this small hamlet with 50-some houses: \$1.9 million for water. We've spent about \$1 million on the studies to get to this point.

The village of Maxville: I don't know if any of you are of Scottish heritage, but in August, Maxville is broad-

cast around the world. Some 800 people put on a show for 25,000 people. Maxville has 68% of its wells contaminated. We just spent \$275,000 finding out there isn't sufficient water available to put in a system for them. There is water outside the area; it would cost us \$8 million to get it there.

The conclusion is that there was no economical source of the water. The long-term solution is a system that would bring water to all of our villages, hamlets and towns; the predicted cost of that was \$24 million. I know that "millions of dollars" rolls easily off the tongue, but when you look at these costs being loaded on to a very small population, they're phenomenal. For those 800 people, their share of this system would be \$11.8 million.

The second item we looked at was, we did a review of our bridges. There are 46 of them on our 550 kilometres of road. The oldest was constructed in 1930. Twenty-six were constructed prior to 1950. Most of them were built for loadings that are less than eight tons. As a matter of fact, when I was growing up there, the sign at our gate said "six tons." We now have two quarries on that road. There are others. There are 19 gravel pits. Those bridges are taking loads of 40 tons at 100 clicks. You don't have to be a rocket scientist to know where we're going; these things are going to have to be replaced. They're showing wear. The cost of these upgrades to the bridges is \$2 million.

So that's the picture we'd like you to have of the situation small municipalities are in. If we are going to be a healthy part of the province, we have to find a way to do things with both the water and the infrastructure. Because of the isolation and the lack of density of both our people and our industries, the costs are something that we cannot reasonably be expected to bear ourselves. My view is that the purpose of a larger government is to share costs more equitably across the population so all of us can have maximum help.

Having said that, I'm going to turn the rest of our presentation over to Annie, who is our treasurer.

Ms Annie Levac: Good morning, everyone. It's a pleasure to be here this morning. If you could turn to page 9 of the information package we presented to you, what I'd like to do is just give you a recap of our 2002 municipal budget so you have an idea of the figures we're looking at.

Our municipal budget: our total revenues for 2002 were \$3,724,294; our total operating expenses were \$5,175,650; less our total capital projects for 2002, which came to \$787,980; our net requirement acquired through our tax base was \$2,239,336, and I'll give you the tax rate on the next page, what that amounts to.

The recap of our 2002 waterworks department budget: our total revenues were \$1,734,083; our total collection and treatment costs came to \$1,972,505. Now, we had a net requirement—last year we didn't borrow; we took the money from our reserves. So each year, depending on how our year has resulted, if we show a deficit, that money has to either come from reserves or we have to borrow and make the payments the following year. So in

our municipality we basically have two sets of budgets: one is tax-based—our net shortage is what we base our tax rate on—and in our waterworks department, we either raise the rates, which is not something we can do at this point, or we borrow or we use some of our reserves. We do have some reserves, but they are limited.

If you proceed to page 10, this just gives you a summary of the estimate of costs of the work that's going to have to be done in the upcoming year, as the mayor has outlined. The Alexandria sewage treatment project, the major upgrades, would cost us \$8.9 million. The Alexandria water supply—this is the construction of the pipeline from the St Lawrence River—that estimate is \$11.732 million. The Apple Hill water and sewage project—that's a communal water system and private sewage correction—would be approximately \$1.9 million. The Maxville water project, which is a regional water supply system that will be required, will come to \$11.8 million. For the repairs or replacement of our bridges we estimate \$2.270 million. That's a total of \$36.602 million.

If we look at that figure, we're definitely going to need some assistance somewhere. With the number of residents we have in our municipality, this is a major concern and it's something we definitely have to deal with; not necessarily all within the next few years but over the next 10, 15, 20 years, it's going to have to be dealt with.

If I can get you to turn to page 11, I want to give you an example of budgeting for capital costs. If our municipality were to finance the Alexandria sewage treatment project for \$8.9 million, the cost would be assessed to the 1,304 users of the system of the Alexandria ward. If financed over a 20-year period at an interest rate of 5%—and I was being very optimistic there—our yearly cost would be \$704,832.72. This would cost each user in Alexandria the amount of \$540.52 per year. If we had to finance it over a 10-year period, at the same interest rate, the cost per user would be \$868.70 per year.

If we add the capital cost to the taxes of a residential household with an assessment of \$100,000, the following would result. Our tax rate for 2002 was 1.595, so if you had a house worth \$100,000, you'd be paying \$1,595.95. On top of that, we charge every residential unit \$125 for garbage and recycling. Their water and sewer charge—basically this is for their operating—is \$409.20; we have a flat-rate fee. Then, of course, if we add on the capital cost, as I've just described above, that would be an additional \$540.52. So for a residential unit in Alexandria, if we were to proceed with the above capital cost, their yearly tax would be \$2,670.67.

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The Chair: You have about a minute left.

Ms Levac: To sum it up, what I wanted to show you here is the cost per residential unit. As the mayor expressed, the wages in North Glengarry are limited, so we just wanted to outline that we will be requiring some assistance for our residents.

The Chair: Thank you very much, Mr Mayor and Ms Levac. We appreciate your input. That pretty well concludes your time. There's barely enough time to even ask a question, let alone get an answer, so we'll take this into consideration in our deliberations. Thank you for coming today.

Mr Franklin: We thank you very much for the opportunity to be here.

Mr Christopherson: While you're leaving, I'd just like to say that it may seem like this is a small number of people and projects—you'd better get going or he'll cut you off. I just want to say to you that it's helpful for us because it does let us put things into perspective. Sometimes when you deal with big budgets and big populations—

The Chair: Thank you.

Mr Christopherson: They're leaving.

CANADIAN MENTAL HEALTH ASSOCIATION, OTTAWA-CARLETON BRANCH

The Chair: Our next presenter is the Canadian Mental Health Association, Ottawa-Carleton Branch. Please state your name for Hansard. You have up to 20 minutes. If there's any time left over, then we'll have questions. Proceed, please. Welcome.

Ms Joanne Lowe: Thank you so much for giving us some time today. I'm Joanne Lowe, and I'm the executive director for the Ottawa branch of the Canadian Mental Health Association. For those of you who may not be familiar with the Canadian Mental Health Association, we are a national organization that has provincial divisions, and our provincial division is located in Toronto. In Ontario, there are 35 branches—soon to be 34 branches because of some amalgamations—that provide community mental health services to people who suffer from severe and persistent mental illness.

I'm here today to talk to you about mental health reform and to strongly urge the committee to recommend strong and substantive reinvestments in community mental health. I'd like to present my case on behalf of the Canadian Mental Health Association to you today.

The Canadian Mental Health Association is very committed to assisting the government in mental health reform. Mental health reform is not a new action or direction for this government. Since 1988, there have been many documents—many of those have been launched by this government—toward the goal of reforming mental health services for people in Ontario. We are recommending that the provincial government proceed with the advice of the task forces that have now ended their work, as of December 2002, and particularly we're recommending that the government build on what currently exists in this province.

Our "asks" are very straightforward. We're asking specifically three things.

We're asking that there be a strong reinvestment, in fact a doubling of funding to community mental health

services, to the tune of \$389 million. In the document you have in front of you, we've outlined on page 3 where those reinvestments could go and should go. Those reinvestments would build a greater capacity for community mental health services to respond to the needs of people in our community.

The facts are very straightforward. Very recent research in Ontario, as recent as December 2002, in community mental health, funded by the provincial government, identifies that if somebody is receiving community mental health services in this province, there is up to an 85% reduction in hospital services. That includes the use of emergency services as well as in-patient services. That's a substantive cost savings that needs to be redirected into community mental health.

We are also strongly urging that the funding be available to enhance self-help groups, including families and people who experience mental illness. Family members are growing in numbers in terms of their burden in providing supports to their family members. We believe they have received very minimal funding over the last 50 years in this province to support them and their family members to improve their quality of life.

We are also looking for an immediate operating budget increase. Community mental health services in this province have not seen a base increase for over 10 years. What that means on a day-to-day or year-to-year basis is that while there have been some reinvestment dollars from the provincial government into community mental health in some parts of this province, when the reinvestments have occurred, some percentage of those reinvestments has had to go to easing the strain on existing services. So the purchasing of new services has been limited by trying to deal with very long-term issues that have come exclusively out of the lack of base budget increases for community mental health services.

This funding will also ease waiting lists. Waiting lists are a hot topic of conversation, following out of the Romanow report and the discussions with the ministers. We have been able to demonstrate in community mental health that waiting times and the number of crises that people will experience are substantially diminished if there is a strong investment in community mental health. Community mental health services, as identified in the Romanow report, are identified specifically as home care case management services. We believe there is substantial evidence to prove that that's a good choice for reinvestment.

We also would like to see a reinvestment in terms of supporting the existing service system. We are not looking for a complete overhaul of health care services in community mental health. What we're looking for is building on what currently exists. For example, there is no mental health services registry. If anyone in Ontario is looking for mental health services, there is no one place to call. The place they often do end up calling is the Canadian Mental Health Association, and they show up at emergency rooms.

We are also looking at having the government reward mental health programs and partnerships that already exist in this province. This isn't rocket science; this is about building on what currently exists, which has been an investment by this government in over 355 programs in this province. We're looking at seeing an investment of \$389 million into very specific areas that have demonstrated through research that they will improve the quality of people's lives in Ontario. We're looking for investment in housing, employment, early intervention, self-help, the operating increases and the service registry so people can have a toll-free number to call when they're in need of information about services. We're looking for an investment in terms of the ability to collect information and data about how people are using services and what in fact they need in order to resolve their mental health problems. We're looking for funding for an innovation fund. We're also looking for money for research. There has been a very limited investment in community mental health research in this province, but Ontario is one of the leading provinces, in fact, in the small reinvestment they have made to date.

In the document I've passed on to you, there are some very strong examples of the kind of investment that needs to happen in this area. There are specific kinds of services that exist in all of the areas for which we're looking for reinvestment.

One final note in terms of really looking to make this a priority: it has been identified as a priority by this government's own task forces throughout the province; it has been identified as a priority in the Romanow report; and we believe that it has been identified as a priority over and over again by community providers, families and, most importantly, people who are suffering from mental illness. Thank you for your time.

The Chair: Thank you, Ms Lowe. That leaves us with two minutes per caucus. We begin, by deferral, to the government. Mr Beaubien?

Mr Beaubien: I'll defer to Mr Sampson.

Mr Sampson: I just want to make sure I understand the chart.

Ms Lowe: The budget?

Mr Sampson: Yes. These are additional amounts each year, then?

Ms Lowe: Yes, over a three-year period.

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Mr Sampson: Let me just pick a line here. So housing started off at X; I don't know what the number is. You're saying, "Make it X plus \$75 million and X plus another \$75 million over the existing \$75 million the next year"?

Ms Lowe: That's right.

Mr Sampson: So these are in fact cumulative numbers.

Ms Lowe: That's right, for the total of \$225 million into housing.

Mr Sampson: Chair, how much time do I have?

The Chair: You have two minutes.

Mr Sampson: In the backgrounder section, you indicated that additional research has shown that community

mental health workers reduce visits to emergency rooms by 60% and hospitalizations by 70%. What's that research?

Ms Lowe: It's 86%, actually.

Mr Sampson: Sorry, 86%.

Ms Lowe: That research was actually funded by the provincial government through the Ministry of Health. It's currently in its fifth year of a five-year study, of which Ottawa is one site. There were different kinds of services, some of which were case management; some of which were crisis services. To give you a few examples: the community mental health evaluation initiative that is operated out of the Clarke Institute for now, the CAMH, the Centre for Addition and Mental Health. What they did is that for the first time in Canada they set up a multi-study site across the province that researched the effectiveness of those services as well as the cost of those services.

Mr Sampson: Now, was any one of these line items—

The Chair: Thank you. We now move to the official opposition.

Mr Patten: Hi, Joanne. You mentioned the figure, which I didn't quite catch, of the savings from decommissioning some of the old psych hospitals in Ontario. Do you remember what that was?

Ms Lowe: I don't know that I mentioned an actual figure. Do you mean in terms of the provincial psychiatric hospitals?

Mr Patten: Yes.

Ms Lowe: I have to say that those numbers tend to change over time. I could probably speak mostly from our own area in terms of Brockville Psychiatric Hospital. There's approximately \$60 million in savings that should have been reinvested in this community.

Mr Patten: I recall asking Minister Witmer, when she was health minister. I have it; it's on record. She made a commitment that the money from the decommissioning of any of the older psych hospitals and what have you would stay in the mental health budget. I think the government side should remember that; it's important.

I think you've made the case—and I gather it has been made in other areas as part of the finance committee review here. But there's no doubt that if you just take the money away and try to scrimp and save, it's stupid. It will come back to haunt you and be more expensive in other ways. The examples you use—and I have others too, because I try to stay up on this—show dramatic success in diverting people from being literally incarcerated in some of these older institutions if you have a good, strong community program. So I want to support you on that. But you're sticking to that principle. Make sure you hold the government accountable—we will—to that principle. Do you agree with that?

Ms Lowe: Absolutely.

The Chair: Thank you. We move to the third party.

Mr Christopherson: Thank you for your presentation. We've had a number of your colleagues across the province make similar presentations, pointing out that it's a widespread problem. To pick up where Mr Patten left

off, to be fair, every government is guilty to one degree or another of deinstitutionalization: closing down psych hospitals, closing down the back wards, which was a good thing, and then just keeping the money, rather than reinvesting it in community mental health and in catchment communities like mine and others; Ottawa probably is too. I know Hamilton has a huge problem. We evolved a patchwork of housing and supports that limps us along day by day, but it's really not addressing the problem.

All I want to do is underscore the importance of this and the fact that this cuts across all lines. This is like Walkerton. If you're rich, that's not going to protect you regarding mental health. Michael Wilson, a former federal finance minister, to his credit has come forward and talked about his son and has offered that up as an example. It takes a lot of courage.

I was thinking too, there are about 15 people in this room. I won't ask, but how many people would put up hands if you asked, "How many people have had experience with mental illness in their families to the degree where it has caused any kind of disruption?" I'll bet it's at least half.

The only other thing to add is that in the times we live in, if you want to talk about preparation, if we do end up going into war and that triggers any kind of terrorism, there are an awful lot of people who are just barely hanging on. If we start seeing that kind of mass stress taking place, we had better have those infrastructures in place or we could easily double the amount of people who are on the streets, in our emergency wards, overwhelming our doctors. This is a serious issue, and without the crisis I've mentioned you've still got—I think the numbers are—

The Chair: Question, sir?

Mr Christopherson: I'll ask the question by way of ending. Over the next 10 years, 20 years, what's the proportion of the population that's expected to experience some period of mental illness?

Ms Lowe: The figure we use is one in five who would experience a mental health problem, and that could be anything from a major mental illness to a mental health problem that's more easily resolved in a shorter term. But the number that we use is about 20%.

The Chair: Thank you, Ms Lowe. We appreciate your input today.

Ms Lowe: Thank you for your time.

OTTAWA-CARLETON ELEMENTARY TEACHERS' FEDERATION

The Chair: The Ottawa-Carleton Elementary Teachers' Federation I guess went to the wrong location, so I require unanimous consent to allow them to come on at this point. Is that agreed?

Mr Christopherson: As long as they're given a detention.

The Chair: I want you to note that it was the NDP that made that comment. Please come forward, gentlemen, and if you'd be kind enough to state your name

clearly for the purpose of Hansard. Up to 20 minutes, and if there's any time left over from your presentation, then we'll have questions. Welcome.

Mr David Wildman: Thank you very much, Chair, and members of the panel. My name is David Wildman. I'm the president of the Ottawa-Carleton Elementary Teachers' Federation. With me is Paul Dewar, who is the vice-president. We appreciate your allowing us this time to present.

The Ottawa-Carleton Elementary Teachers' Federation represents approximately 3,000 teachers. We are affiliated with the Elementary Teachers' Federation of Ontario. All of our members are employed by the Ottawa-Carleton District School Board. As an organization we are dedicated to representing the interests of our members and promoting public education in Ottawa-Carleton.

We come before this committee to speak of the needs of the elementary students and teachers here in Ottawa. This past year has been extremely challenging and difficult for parents, teachers and students with the Ottawa-Carleton District School Board. In August of 2002, before schools were opened, there was a provincially appointed supervisor put in place. That supervisor cut 27 full-time elementary special education teaching positions. That meant 54 schools had a reduction in the staff who identified children with learning difficulties. Those cuts were subsequently reinstated by the courts. The supervisor also cut principals and twinned 22 of our elementary schools, meaning that these principals have to look after two schools at once. There are serious concerns as to the availability or the accessibility of the principal to parents, teachers and students, and there are major concerns regarding safety.

Also in the fall of this year the supervisor went on to close the media centre. This was a consortium of all the local school boards for sharing resources and lending them out like a lending library to teachers in schools. Last year, 6,000 teachers borrowed over 49,000 resources. At the announcement of these cuts the media centre was closed and teachers had to send back their materials right in the middle of their units of study. This is a model, this consortium, that should be expanded, not abandoned. Our outdoor education centres are on the chopping block this year due to cuts imposed by the provincial funding.

While the provincial supervisor has resigned and was not able to balance the board's budget, another supervisor replaced him. The problem, however, is not with the supervisors or the trustees. It is, as Dr Rozanski recently recognized, the underfunding of public education by the provincial government. Therefore, we are recommending that the government immediately implement the recommendations contained in the report by Dr Rozanski. We are also recommending that the government go beyond this report and make a strong commitment to ensuring that elementary students here in Ottawa are provided with the best start to the world of education that is possible and that local needs are addressed. We make these

recommendations knowing that it will require a significant investment, but we strongly believe that this is an investment we cannot afford to put off.

To achieve this we believe the government should reinstate the democratically elected trustees and put the supervisor's salary and expenses back into the classroom. If this community is unhappy with the performance of trustees they will have an opportunity to elect someone else in the municipal elections.

This fall, Dr Rozanski sent a loud and clear message to the government that Ontario's education system is underfunded. A significant amount of money needs to be reinvested in education to reverse years of neglect. The time for action is now. We disagree with Dr Rozanski when he suggests a gradual reinvestment in public education over the next three years. Students are in need now.

To their credit, the Ontario government acted quickly on three key recommendations. They put more money into special education, salaries, and transportation, a total of about \$550 million. This money is for the current year.

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Is the problem of education funding fixed? The answer is no. The government has made an important first step, but we must be clear on this, that it is only a first step.

Dr Rozanski made a number of key recommendations to improve the funding formula. He made it clear that these recommendations are very important to the future of education in Ontario. "I tend to agree with those who say we cannot afford not to provide adequate funding to meet our goals for public education. Our children deserve no less; our economic future requires no less," says Rozanski. In other words, a high-quality education system needs to be well-funded.

One area identified as needing significant attention is updating the funding formula to reflect increases in inflation. Since the funding formula was introduced in 1998, most of the components have not been updated. The amount that boards got in 2002 for such things as textbooks, computers, classroom supplies and various other operating expenditures is the same that they got in 1998. Over those five years, inflation has increased by over 10%.

Rozanski also recommended an additional amount to be invested for salary increases for 2002 and 2003. This does not address the fact that these base amounts originally set did not reflect actual costs. The province must review the base numbers that were inadequate when they were set originally. This is true of all other envelopes. The benchmarks that set the various funding levels were not based on reality and were province-wide and didn't take local needs into account. There is not enough money to clean and repair schools; money must be taken from classroom instruction or schools begin to deteriorate.

Mr Paul Dewar: I'm just going to speak to you about new investments. Dr Rozanski also recommended a number of new investments that we needed to improve the education funding formula, totalling about \$689 million. We urge the government to include this money in the budget immediately and to allow local boards extra

money in some envelopes to address local needs. Ottawa-Carleton does not have enough money, for instance, to provide English as a second language to those who need this assistance. Need should establish funding, not a provincial rule. These new investments include the learning opportunities grant, the funding intended to improve the education opportunities of students from lower socio-economic levels; funding for English-as-a-second-language programs for five years instead of three; adequate funding for school renewal and maintenance; and improved funding for students with special needs.

The government did commit \$250 million in 2002-03 for support for students with special needs, about \$205 million to be allocated for this year. That leaves \$439 million to be allocated. This committee needs to ensure that this money should be in place in 2003-04.

Just to implement the monetary recommendations by Dr Rozanski, the Ontario government would need to invest about \$16.1 billion in education funding for 2003 and 2004. This is a large increase but that is the price to be paid for years of neglect and underfunding.

Dr Rozanski also made a number of other recommendations for further study, and ultimately further funding. For example, he recommends that the Ministry of Education collect and analyze data on programs and services for students at risk to determine the appropriate level of funding of the learning opportunities grant. The panel studying learning opportunities estimated spending in this area in 1997 was \$400 million. In 1998, the Ontario government funded this component at \$185 million, less than half of what was being spent by boards. The government has increased the total funding for this grant to \$293 million in 2002-03, but it has added two major components, for early literacy and for literacy and math for grades 7 to 10. A serious review of the initial intent of this component would undoubtedly recommend more money to ensure that students at risk due to social and economic circumstances do not fall through the cracks.

As previously stated, Dr Rozanski did not validate the original figures used in the funding formula. He simply updated the figures based on increases in costs from 1998 to now. An example of this can be seen in school operations. The funding formula allows for \$5.20 per square foot for operations. This figure, in place since 1998, was based on the cost for the median board prior to the new formula. That is, right from the beginning, the cost for school operations was not enough for half of our school boards. The average, rather than the median, cost per board would have provided \$5.50 per square foot, the amount recommended by the expert panel on the pupil accommodation grant. Updating the \$5.20 per square foot for inflation is an improvement, but it still does not reflect the higher costs in many boards due to such factors as high cost of living in urban areas or the higher cost of maintaining older buildings. Increased funding of school operations should be included in this review of the formula.

Finally, we hope there will be money in the budget to reduce class sizes for the elementary grades. The elemen-

tary teachers of this province can verify that smaller class sizes, particularly in the early grades, is a key step to ensuring a high-quality education for all students.

In our view, the research could not be clearer. Students in small classes in kindergarten through grade 3 performed better in every subject area on all tests administered than their peers in larger classes. The more years students were in small classes, it increased the advantage over students in regular classes. The research also indicates that students who start their education in smaller classes are less likely to drop out, are more likely to graduate on time, taking more challenging courses in high school, and are more likely to attend college than their peers from larger classes. Students in smaller classes participate more in school and have fewer discipline problems. They have more opportunities to work with others to problem-solve and to take on responsibilities within their classrooms. Teachers in smaller classes cover the curriculum faster and in greater depth and provide earlier identification and intervention for learning problems.

It has been estimated that the advantages of small classes in the early years meant savings to the Tennessee education system of US\$3.5 million per year, with fewer students having to repeat grades—a 2.5% lower failure rate for students in smaller classes. The increased earning power for high school graduates could bring another US\$2 million into the economy based on this. Because of this research, about 70% of US states have initiated class size reduction initiatives. Evaluations of these initiatives have found similar results. We believe that our elementary students deserve the benefit of smaller classes.

In addition to the recommendations regarding investing money in our education system, it is our belief that local school boards and teachers should be involved in the manner in which these investments are made. All too often, cuts to funding were made with no pedagogical support and with no regard to the impact on children and their learning or to local needs. We recommend that when provincial funding is insufficient to meet a local need, there should be a mechanism to access additional funds rather than to sacrifice another area of the budget.

In conclusion, after seven years of underfunding, we are now in a position of having to play catch-up. Since the introduction of the student-focused funding formula in 1998, the effects of inflation and cost increases have been ignored. We have maintained all along that this is not sustainable. We have maintained all along that such a short-sighted fiscal policy seriously erodes the quality of education available to the students of Ontario.

The government has indicated a willingness to start on the road to repairing the education funding formula. The education funding announcement for next year will signal the government's commitment to high-quality education for all students. We urge this committee to have the courage to adopt the recommendations set out in this submission. Only then will this government be truly making a commitment to the students of Ontario.

The Chair: That leaves us with about a minute and a half per caucus. We begin with the official opposition.

Mr Patten: Thank you, gentlemen, for coming. I hope you had a nice trip in the marketplace, if that's where you went.

Mr Dewar: There are three Marriotts. We actually called the Marriott and said, "Where is it?" They said, "You're going to be at the Dorchester Room on Laurier." But that's Health Canada, if you're interested.

Mr Patten: A couple of comments: one, my wife is an elementary school teacher, as you probably know, so I get a lot of information first-hand. Your issue on smaller classes is absolutely right on. Before you read it, I was thinking back to that situation in Tennessee which showed quite dramatically the value of all this.

Rozanski has provided a breath of fresh air, obviously. While the government hasn't put forward all of what he has, with an election looming, you can bet there will be other things that will come out on the table. Whether it's enough to continue to shore up the present system, we'll see.

On the issue of the twinning, this is important. That can be perceived as structural, "We'll just go that way, it's great."

The Chair: Question, sir.

Mr Patten: Yes. From what I've observed, it's not working very well. It's hurting quality. What's your experience on the twinning issue?

Mr Wildman: There are many concerns, so, quickly: from the simple fact that the principal isn't available when you need the principal, whether it's a parent coming to the school with an immediate problem they want addressed and the principal is off at the other school, to the situation at the noon hour in the school where you will have no one in the office. You might have a student volunteer from grade 5 in the office for whatever emergency there is. So there are safety concerns there.

The fact that the principal is a teacher-leader in the school and when you, as a teacher, have a difficult situation and need to run it by the principal and the principal is not there today, what do you do? What do you do when somebody needs the assistance of the principal because there's a difficult parent in the school, an unwanted intruder or a difficult situation in your classroom, whether it's a child hurt or a discipline issue, and there's a teacher named to be in charge who is teaching a class as well? How do they leave their class to address this?

Mr Christopherson: Thank you for your presentation. I found it interesting that you mentioned two things that I want to underscore. One is the increased earning power; more high school graduates would bring another \$2 million into the economy. We heard earlier from one of the government members that the only thing keeping the economy alive is the fact that consumers are still spending, and yet when you want to talk about in any way, shape or form people earning more money, suddenly that's an evil that has to be avoided because of competition, yadda, yadda, yadda.

What I want to ask a question about, however, is the Tennessee experience. It's not unusual for people to come in and make the case, rightly so, that you can save money down the road by investing money now. But having been a minister, I can tell you that you don't factor that in very much when you're making decisions because those are virtual dollars and increases on your bottom line are real. Yet, this is to suggest that they actually quantified that in Tennessee and that other states use those projections and arguments as part of their decision-making. Have I got that right?

Mr Wildman: Yes. I've read the reports that they made those decisions in other states because of what happened in Tennessee, and I think New Jersey was one of the original groups to start that.

Historically, we negotiated smaller class sizes through collective agreements. That has stopped. Class sizes have increased with the funding formula and there's an average in the system now, not a cap. There's no cap of 25; there's an average. So if you want to provide a grade 11 class to 15 students, that means there's got to be a larger class down the hall in some other subject.

In early grades, we used to have kindergartens with 18 students with an educational assistant there to help the teacher. Now, at the board office, we are arguing that there should not be 29 kindergarten students. Those are sometimes three- and four-year-old students, 29 of them, some of whom don't speak English, with one teacher and no EA. What kind of education is going on?

Mr Beaubien: Thank you very much for your presentation. I'm glad to see you mentioned that you negotiated smaller class sizes through your negotiated agreements. I know the Lambton board, where I come from, would be different because prior to the funding formula you were negotiating larger class sizes for higher wages.

Mr Wildman: In that area—

Mr Beaubien: In Lambton. So are we unique in that? I've heard from many different boards that prior to the funding formula you were negotiating a larger class size for higher wages. How do you square that round peg when you say smaller class sizes today are good for students but you were negotiating larger class sizes five, six years ago? How do you square that one?

Mr Wildman: I can only speak for myself. In the former Carleton board, historically the class sizes went down for 20 years each year, each new agreement.

Mr Beaubien: OK.

Mr Wildman: In those years the local trustees could address a perceived need with increased local taxation, and they can't do that any more.

The Chair: Thank you very much, gentlemen, for your presentation.

Mr Dewar: Thanks for the accommodation.

The Chair: This committee will recess until 1:20.

The committee recessed from 1155 to 1321.

The Chair: The standing committee on finance and economic affairs will come to order. Before we begin, I just want to confirm the flight time this afternoon for those returning to Toronto. The bus will be leaving the

hotel at 4:15. Flight time will be 5:30 and arrival in Toronto about 10 to 7, for your information.

OUR SCHOOLS, OUR COMMUNITIES

The Chair: Our first presenting group is Our Schools, Our Communities. Please come forward. I'll ask you to state your name clearly for the purpose of Hansard. You'll have up to 20 minutes. Any time left over from your presentation we'll use for questions from the rotation, depending on the amount of time. Please proceed, and welcome.

Ms Bronwyn Funciello: I just want to begin by letting you know—and hopefully it won't interfere with Hansard—I am visually impaired, so at times I might have to hold my speaking notes very close to my face, but I will try and speak clearly.

The Chair: No problem. The microphone will be operated automatically.

Ms Funciello: My name is Bronwyn Funciello. I am chair of Our Schools, Our Communities. Presenting with me is Gail Stuart, vice-chair of OSOC.

We were founded in 1998 in response to serious concerns about the cutbacks to the public education system. OSOC is a voluntary organization made up of parents and other community members who believe in a stable, strong and adequately funded public education system.

The principles of our organization include the belief that communities are better off having well educated children who are able to grow to their full potential. We believe that all children deserve to receive a high-quality education in accordance with their needs. We believe that children should have access to facilities that provide appropriate space for optimum learning within their communities. We also believe that the direction of education should be determined by school boards and the members of the community.

We would like to speak to you this afternoon about the crisis that has been inflicted upon the public education system by the government's policy of chronically underfunding public education. We would also like to offer some practical suggestions for meaningful reinvestment that puts students first.

The crisis in public education has really come to a head in the last five years. We're certain that this committee has heard countless submissions from concerned citizens expressing alarm and illustrating the negative effect of underfunding in public education. We trust that you recognize that this crisis is not unique to Ottawa-Carleton, but in fact affects every school board in every region of the province.

The Ottawa-Carleton school board has been hit particularly hard. The democratically elected trustees of the OCDSB have cut over \$100 million in spending in an effort to conform to a rigid and inadequate funding formula. This amount is greater than any other school board in the province.

There are far too many examples to mention all of them here, but I'd like to illustrate a few examples of how this crisis has affected schools in Ottawa-Carleton. For instance, we have thousands of children in portable classrooms. We have thousands of children on lengthy waiting lists for special education. We have deteriorating facilities and a rapidly growing maintenance backlog. There are insufficient classroom resources, ranging from basics such as paper towels to fundamentals such as curriculum material, textbooks and other essential learning materials.

In addition, there has been an incredible strain put on teachers, parents and school councils to subsidize the classroom in an effort to mitigate the negative effects of this shortfall. These valiant efforts cannot be sustained over the long haul.

Over the past few years, trustees have worked tirelessly to protect our students from the devastating effects of this underfunding. They have presented evidence to the provincial government in a desperate effort to obtain sufficient resources so they can continue to meet their obligations under the Education Act.

OCDSB trustees are not alone in their efforts. Their concerns have been echoed throughout the province by organizations such as the Council of Ontario Directors of Education, representing all 72 directors of education, the Ontario Public School Boards' Association, along with numerous provincially mandated special education advisory committees, parent groups, teacher and other staff federations, community groups and other stakeholders. Unfortunately this government chose not to respond in a meaningful and responsible way, which resulted in greater turmoil and uncertainty for the public education system.

In June 2002, recognizing that provincial funding levels would not allow them to meet all of their legal obligations under the Education Act, the democratically elected trustees of the Ottawa-Carleton District School Board were forced to make a very difficult decision. They ultimately chose to put children's rights over the requirement for them to produce a balanced budget, resulting in a \$23-million deficit.

At this point, both the Premier and the Minister of Education had begun to publicly acknowledge that there were serious concerns with the funding formula. This point was demonstrated by the decision to appoint the Education Equality Task Force to review this highly criticized formula. In spite of this, rather than accepting responsibility for the crisis created by the government's own policies, the Eves cabinet chose to take the most draconian measure possible, vesting control of the Ottawa-Carleton District School Board in the Minister of Education, who promptly appointed a supervisor.

Ultimately, the crisis in public education created by this government has had a profound effect on the Ottawa-Carleton District School Board. It has resulted in program deficits, fiscal deficits and now, sadly, a deficit in local democracy.

Ms Gail Stuart: Given the dire state of public education in Ottawa-Carleton, the community anxiously awaited the report of the Education Equality Task Force. Although we welcomed Dr Rozanski's recommendations, the findings of the funding formula review came as no surprise. After all, our democratically elected trustees, along with countless other education experts from across the province, have been making these same points for years. It is most unfortunate that the government refused to seriously consider the concerns raised by these experts, but rather chose to ignore the warnings, resulting in a full-blown crisis in the public education sector. Let me underline this point: the crisis in public education could have been avoided if the government had responded to our concerns in a timely manner.

1330

In his report, Dr Rozanski recommended that, "The Ministry of Education update the benchmark costs for all components of the funding formula (the foundation grant, the special purpose grants, and the pupil accommodation grant) to reflect costs through August 2003, and that funding that reflects these updated benchmark costs be phased in over three years, starting in 2003-04, as part of a multi-year funding plan."

Although we strongly support the recommendations of Dr Rozanski, we do have some very serious concerns with the suggestion that his recommendations should be implemented over the next three years. Our children cannot afford to wait any longer for the facilities, programs, services and learning resources they need.

To some, Rozanski's recommendation to reinvest \$2 billion in the public education system seems to be over-ambitious and unrealistic. The reality is that this is money which has been depleted from our schools over the past five years.

Again, although we acknowledge that Dr Rozanski's report has made some valuable recommendations that must be implemented immediately, it is important to note that the report does fall short in some key areas. An example of this is evident in the area of adjusting benchmarks for facilities operations and maintenance. In the report, Dr Rozanski examined only inflation factors but not the current or historic real costs of facilities operations and maintenance. In fact, original benchmarks in this area fell far below actual costs. Therefore, simply adjusting these inadequate benchmarks to only reflect inflation will simply perpetuate underfunding in this area.

We also strongly support Dr Rozanski's recommendations in the area of employee salaries and benefits. Salaries in the OCDSB alone are underfunded by at least \$24 million. This problem has been substantiated in a report by the Hay Group consultants which was commissioned by the democratically elected trustees of the OCDSB. In addition, Al Rosen, the auditor appointed to investigate the financial position of the Ottawa school board after they submitted a deficit budget, and Merv Beckstead, the first provincially appointed supervisor in the Ottawa public board, have acknowledged that the salary gap is a significant problem for the OCDSB. In

light of all the compelling evidence supporting increased funding in this area, we were extremely disappointed that Premier Eves had not taken adequate steps to remedy the situation created by his own government.

Mr Eves's government needs to realize that you cannot standardize salaries across the province. Individual boards are as unique and distinct in their needs as the children they serve. Putting all school boards together under the same standardized salary scale defies market reality, and it financially handicaps schools in larger centres such as Ottawa, Toronto and Hamilton. The current provincial government claims to champion market-driven policies, yet their current policies for teachers' salaries under the existing funding formula ignore economic market realities. Whether you are a cab driver, construction worker or cook, salaries are higher in cities like Ottawa. There is no valid reason for this government to consider teachers to be immune from this reality in market economics.

Transportation funding is another area that needs immediate attention at the OCDSB. The Education Act requires governments to fund coterminous school boards in a fair and equitable manner. The Harris-Eves government has failed to meet this requirement as it applies to the Ottawa-Carleton area. For the past five years, the Ottawa-Carleton Catholic School Board has received significantly larger grants for transportation than the Ottawa-Carleton District School Board. This discrepancy, approximately \$13 million annually over the past five years, is a significant sum of money, and it is in direct contravention of their own provincial regulations, resulting in the OCDSB being at a significant disadvantage with regard to services and delivery, and inevitably affecting their market share. It has also resulted in a reluctance by the Ottawa-Carleton Catholic School Board to share transportation services with the OCDSB.

Special education is an essential component of the public school system. This area has been under considerable strain as school boards struggle to meet their legal and moral obligations to their most needy students while in receipt of highly inadequate funding. At the OCDSB, waiting lists for special education assessments, programs and services have often exceeded 3,500 students. The Ottawa board has a large proportion of very-high-need students. It is widely felt that as a direct result of provincial underfunding, the OCDSB is no longer able to adequately meet the needs of its most vulnerable students. Failure to do so inevitably affects all students in all classrooms.

We were very pleased that in December the Premier finally announced the government's intention to increase spending for special education. However, it is important to note that funding for special education is still far below what is required. The funding that was announced in December only applies to the intensive support amount, or ISA, grants. In order to qualify for these grants, school boards have to go through a very rigorous and resource-draining process. The most frustrating part of this government-initiated process is that in order to

qualify for ISA grants, you must first prove that you are already providing the intensive support. Obviously, without money in hand to provide the support, this can be quite challenging.

At the OCDSB this dilemma has often been referred to as the "Cash-22." It is for that reason that, although relieved to hear more money was on its way, we were also quite disappointed that the amount is being pro-rated for the January through June period. We clearly qualify for an additional \$10.4 million, and yet the OCDSB will only receive \$6.7 million for 2002-03 years. However, the students who made us eligible for these grants have been in our board since at least last September, and quite likely longer than that. As dictated by the grant rules, we have been providing the costly supports to these students without the appropriate funding from the government. At the very least, the government should be providing the full entitlement for the 2002-03 school year—it is desperately needed.

In addition, we strongly support Dr Rozanski's recommendation to increase the special education per pupil amount, or SEPPA grant. Again, I underline the urgency: these children cannot afford to wait.

Over the past several years, the Ontario government has introduced several new initiatives that school boards are expected to carry out. These initiatives include EQAO testing, ISA documentation, criminal background checks, teacher testing, code of conduct resulting in increased suspension and expulsion hearings, and the Ontarians with Disabilities Act.

Although many of these initiatives are quite worthwhile, they are all extremely costly. In spite of this, the government insists that school boards fulfill these new requirements but they have failed to provide funding for them. These initiatives must be fully funded by the provincial government.

The provincial government must recognize that balancing a budget is not difficult, and that any grade 6 student would be able to do the arithmetic. What truly requires skill and expertise, however, is the ability to distinguish between a rationalization that would produce sustainable cost savings and improve efficiencies from cuts or underfunding that save money today only to cost society much more in the future. Public education in Ontario must be regarded as an investment in the future of the province.

Until this government ensures that all children in Ontario grow to their full potential by providing the services that meet their individual needs, this province will be condemned to face dire economic consequences in the decades to come. The long-term fallout on society will include an increased burden on all social support systems, welfare, and unemployment services, not to mention crime. However, investing now will ensure a strong work force and taxpayers in Ontario's future for many years to come. We must work together as communities and government to ensure that no child is left behind.

The provincial government can ensure a bright future for Ontario's youth by acting on the following:

Implement all of Dr Rozanski's recommendations immediately.

Compensate all school boards for the large gap between the standard provincial salary scale and the real costs of teachers' salaries, an estimated \$500 million province-wide.

Transportation must be funded in a fair and equitable manner between coterminous school boards, as identified in the Education Act.

Reimburse the OCDSB for the \$13-million discrepancy that has existed annually for the past five years between themselves and the Ottawa-Carleton Catholic District School Board.

Pay the real costs for special education in order to ensure that the most vulnerable students have their needs adequately met.

All new government-mandated initiatives for school boards must be accompanied by appropriate and full funding.

We would like to thank you for the opportunity to present to you today, and hope that you leave here with a commitment to put our children first, because they truly are our future.

The Chair: Thank you. That leaves us with about a minute and a half. We're going to take the single rotation, and it will go to the government.

Mr Ted Arnott (Waterloo-Wellington): Thank you very much for your presentation. We appreciate your suggestions, your advice, your observations and your comments.

In your introduction you talked about some of the fundamental principles that led you to develop your organization. You said that you want to promote an understanding "that communities as a whole are better off with well-educated children who can grow to their full potential; that all children deserve the opportunity of receiving high-quality education in accordance with their needs; that school facilities provide all children with appropriate space for optimum learning; and that the provision and direction of education is the shared responsibility of school boards and the members of the community."

There is nothing there that I would in any way disagree with. I think the government would embrace, support and endorse all of those principles.

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The Chair: Question, please.

Mr Arnott: We also have a requirement to live within our means, as a government, as a society and as school boards. I know that the Minister of Education, when she was working with the school boards in the province before the appointment of the supervisors in the three areas where supervisors were actually appointed—those decisions were not taken lightly. We certainly have a commitment to work with school boards in the years ahead to deliver on these objectives in a fiscally responsible manner.

The Chair: Thank you, Mr Arnott; that'll conclude your time. Thank you, ladies, for your presentation. We appreciate your input today.

OTTAWA EAST FAITH-BASED GROUP ON AFFORDABLE HOUSING

The Chair: Our next group is the Ottawa East Faith-Based Group on Affordable Housing. Please come forward. We would ask that you state your name clearly for the purpose of Hansard and the record. Welcome.

Sister Maureen Killoran: I'm Sister Maureen Killoran. I'm a retired teacher with a passion for adequate housing for people. I know it's a very tiring time right after lunch. In my class, anyone who fell asleep got a detention, so you'd better listen up.

Mr Mark Ziegler: My name is Mark Ziegler. I'm here as a member of Wesley United Church in Ottawa.

Mr Mike Bulthuis: My name is Mike Bulthuis. I'm here as a member of the Church of the Ascension, an Anglican parish here in Ottawa.

Sister Killoran: As the Ottawa East Faith-Based Group on Affordable Housing, we are driven by a social mission where social justice is key to community. We believe that communities and relationships thrive when there is justice and respect. While individuals contribute their skills and resources to community, an inclusive and compassionate community supports an individual's activities. We want to speak to each person's dignity, and for their being treated with compassion and fiscal fairness. Our Canadian collective well-being needs to be shared within, including the poor and the unemployed.

Within our own faith communities, we found significant numbers were having difficulty finding affordable and adequate places to live. Our survey of our communities, intended to match people in need with space available, found 24 out of 104 respondents who had either affordability or adequacy problems.

Although there are many facets to providing affordable housing, we'd like to address three today: (1) supply, (2) the shelter component in social assistance, and (3) rent supplements.

Supply: we're all aware in this room that in 1993 the federal government froze contributions to social housing and cancelled funds for new units, except on reserves. Non-profit housing production was passed on to the provincial government in 1994, and passed on to the municipalities in 1995. Unfortunately, there were no resources allocated to the municipalities to accompany these responsibilities. Municipal revenue is limited, and with a limited tax base that is legislated by provincial and federal governments, it is unrealistic to expect municipalities to be a major funding source for new social housing.

As a result, since 1996, rental housing units have accounted for only 5% of total new housing units in the city of Ottawa, while 40% of households in the city are renter households. According to the Ontario Non-Profit Housing Association, 144 rental units are lost across this province due to demolition and conversion for every 100

new rental units built. Meanwhile, the number of households seeking rental housing is growing. Locally, the Ottawa Social Housing Network reports that there are nearly 15,000 households on the social housing waiting list, with an average waiting time of five to eight years. We believe that provincial withdrawal from funding new construction is partially responsible for this situation.

In November 2001 the federal government initiated the affordable housing program, and it signed a bilateral agreement with Ontario in May 2002. Under the agreement, the federal government is committing \$25,000 per unit, for a total contribution in Ontario of \$244.7 million over five years, while requiring provincial cost-matching. In stark contrast to the province of Quebec, Ontario has refused to match fully the federal contributions, offering only \$2,000 per unit and leaving the remaining \$23,000 to municipalities, non-profits or other charities.

The city of Ottawa will likely provide this amount through forgoing traditional tax and development fees revenue and by contributing land. However, provincial cost-matching would have allowed this city to do much more. We call on the provincial government to fully cost-match the federal contribution at \$50 million annually for the next five years. Such capital subsidies, coupled with federal and municipal contributions, will reduce development costs even further, extending the effectiveness of the program and making rents even more affordable for lower-income households.

As a result of provincial non-funding, the subsidies made available through this program do not go deep enough to make housing truly affordable. For the purposes of the agreement, the province defines "affordable" as average market rents. In October 2002, the Canada Mortgage and Housing Corp reported that the average rent for a two-bedroom apartment in Ottawa was \$930. A renter would have to be grossing about \$46,000 per year in order to make this an affordable rent, when in fact half the renter households in Ontario make only \$23,000, and even this affordability is only guaranteed for 15 to 20 years.

According to the Co-operative Housing Federation, the affordable housing program in Ontario will not take a single household off the municipal social housing waiting lists. In December 2002, then-Minister of Municipal Affairs Chris Hodgson stated, "All governments—federal, provincial and municipal—must work in partnership to remove barriers and encourage investment in affordable housing." The municipality and non-profit groups such as our own are already making efforts. We have to wonder where the provincial role is currently being played.

According to Stats Canada, low-income tenants spent almost half their income on housing. Those living in non-subsidized housing spent 48%, while those in government-subsidized housing spent only 31%. We agree with David Hulchanski that, "The only way to produce lower-rent housing for people in serious need and to keep the rents on those units low is to subsidize construction and protect this public investment by keeping the housing off

the market; that is, non-profit and non-equity co-op forms of ownership.”

Our second point deals with affordability. Affordability is a major concern for many households in Ontario, and while homelessness and housing need arise from a number of issues, it is largely an income-based problem in Ontario.

1350

Since reducing social assistance by 21% in 1995, Ontario has not adjusted rates to reflect inflation or changes in housing costs. However, the Ontario Ministry of Community, Family and Children's Services refers to the shelter allowance as, “The sum of the actual cost of shelter and the cost of fuel for heat, up to a maximum based on family size.” This is very difficult to support. The maximum shelter component a single parent with one child can receive through social assistance is a mere \$511 monthly. The median rent for a two-bedroom apartment in Ottawa, however, as noted earlier, is \$930. In another example, while a single person receives a maximum monthly shelter allowance of \$325, average rent for a one-bedroom apartment in the city of Ottawa is \$767. Clearly, social assistance recipients paying these rents will have few resources for non-shelter necessities such as food, clothing and transportation. The remaining basic needs allowance is insufficient, making a nutritious diet, even according to the Ontario Ministry of Health's nutritious food basket, difficult to achieve.

The province needs to help with housing affordability by increasing social assistance and disability rates, including their housing component, to realistic levels. Once that is achieved, they must be maintained through periodic cost-of-living adjustments. Families need to be able to both pay the rent and feed the kids. Currently, the financial assistance under Ontario Works is out of line with real-life costs.

Rent supplements: affordability problems are not confined to those in receipt of social assistance. It also is a problem for the working poor. Vacancy rates in the city of Ottawa reached 1.9% in October 2002, up from a tight 0.2% in October 2000. While on the rise, the rate is still below the 3% to 4% that is considered healthy or that of a balanced market. Further, it has been found that there is no correlation between vacancy rates and the extent of affordability problems in different municipalities. Even where a plentiful supply of rental housing exists, high numbers of tenants are paying 50% of their income on rent. To be sure, homelessness and housing need is not simply a question of the demand for rental housing outweighing supply. It is a problem of inadequate income to cover housing costs, especially for families with children. Therefore, an income- and needs-based shelter supplement is crucial.

There is a huge and widening gap between the cost of housing and the income of many Canadians. Ontario's minimum wage has been frozen since 1994, while rent levels in the city of Ottawa have increased by 25% between October 1995 and October 2001, often increasing at twice the rate of inflation. As a result, many low-

income households are pushed into undesirable yet overpriced accommodation. Many cannot access apartments at average rent levels. Landlords renting relatively affordable apartments regularly turn away prospective tenants who receive social assistance, or they may use minimum income requirements to screen out tenants on social assistance. According to Stats Canada, roughly one in four tenants, often lone-parent families and lowest-income households, are housed in inadequate conditions yet still spend approximately a third of their income on housing.

With market mechanisms as the main provider and allocator of housing and with the price structure of residential land driven by the ownership market, we need to look for ways to house people with moderate and low incomes. We call upon the Ontario government to invest additional resources in a more far-reaching rent supplement program for households whose earnings from employment leave them unable to afford adequate housing. The contractual arrangements between landlords and the Ontario government through rent supplements make quality housing available to lower-income households while maintaining reasonable rent levels and while guaranteeing landlords tenants for their units.

The province, using surplus federal housing dollars, did announce funding for new rent supplement units in 1999. About 2,000 of those units have yet to be allocated, according to ministry officials. The recently announced rent supplement program is limited to only 5,000 subsidies right across the province—far less than the comprehensive approach indicated by this government years earlier.

Given the province's poor response to the recently announced federal-provincial affordable housing program, we call on the Ontario government to initiate rent supplements for each of the new units being developed, to make the units more accessible to households with lower incomes, making them truly affordable.

Finally, our recommendations:

(1) Ontario should fully match the federal contributions under the affordable housing program announced in November 2001.

(2) Ontario should increase the shelter component of social assistance to levels that reflect the actual cost of housing in the province. It should then maintain these levels through annual indexing to housing costs.

(3) Finally, Ontario should initiate a comprehensive system of income and needs-based rent supplements for the working poor.

In addition, we'd like you to take into consideration some more innovative approaches:

Ontario should offer incentives to encourage the construction of secondary suites through conversion assistance, similar to the federal residential rehabilitation and assistance program. According to the city of Ottawa, the cost of creating a new rental unit would be close to \$100,000. It would be much cheaper to add a suite in an existing house; it could be accomplished for much less.

Ontario should set targets for housing, such as those set out by the Federation of Canadian Municipalities. Their 10-year national plan calls for annual targets of 20,000 new rental housing units, 10,000 units for rehabilitation and/or affordable ownership and 40,000 additional rent supplement spaces.

Ontario should introduce a tax credit for affordable housing development. Elimination of the capital tax would be beneficial.

Ontario should work with all non-profit organizations, including faith-based groups such as our own, which present a tremendous pool of resources and want to work with others.

The Chair: We just have a little under two minutes, so I'm going to take the single question again in rotation. It will be to the Liberals.

Mr Patten: Thank you very much. That was a very comprehensive presentation. It's an area of great concern to some of us.

One point you made was that there has been an increase in the rental stock in Ottawa but it's not at the level where those most in need can afford it, so that hasn't been helpful. Your recommendation is the subsidy route. Also, the province, I agree with you, has totally copped out on playing a partnership role with the feds or even the municipalities. So now we have a situation where you've got municipalities playing more of a role than the provincial government, which is an absolute crime. We're one of the few western nations that hasn't got—and I'd even offer some criticism of my federal friends—a national housing policy that all jurisdictions can participate in.

The Chair: Question, sir?

Mr Patten: I have to ask a question with this Chair.

I support what you say. I would ask you, though—in terms of builders, it seems to me most jurisdictions won't move on the lower-income rental stock unless there is some kind of subsidy. They're just saying, "We can't make money." What is your recommendation vis-à-vis that—you mentioned some incentives—in terms of actually putting some cash on the table or buying the land or whatever the hell it is? Pardon my language.

Mr Bulthuis: I think if Ontario would contribute more in the affordable housing program, the subsidies for development would be that much greater, meaning more developers might be attracted to the program. I think offering benefits on things like the land transfer tax and the capital tax would make developers more interested in building affordable housing.

We were saying the rental stock has increased, but only by about 5%, when rental households are about 40% of the population. So the rental stock is not increasing as fast as it should, as fast as it needs to. Tax benefits like we were mentioning would be a positive way to start, let alone the affordable housing program.

The Chair: Thank you. We appreciate your input to us today.

1400

OTTAWA-CARLETON CREDIT UNION

OTTAWA-CARLETON POLICE CREDIT UNION

The Chair: Our next group is the Ottawa-Carleton Credit Union Ltd. Please step forward and state your name clearly for the purpose of Hansard. Welcome.

Mr John Ebsary: My name is John Ebsary. I'm the CEO of the Ottawa-Carleton Credit Union.

Mr Ron Harrison: My name is Ron Harrison. I'm the general manager of the Ottawa-Carleton Police Credit Union Ltd.

Mr Ebsary: Ron and I are here today to represent both of our credit unions, our boards of directors and members. Also, Ron and I are co-chairs on an association of credit unions here in eastern Ontario. We have about 15 credit unions, from Port Hope to Ottawa up to Deep River, that are basically an association. We have about 150,000 members and about \$1.5 billion in assets.

My credit union, the Ottawa-Carleton Credit Union, is based primarily here in Ottawa. We do have a branch down in Cornwall. We currently have about seven branches, \$125 million in assets, and we're very involved in our local community. Last year, as an example, in terms of community and economic development and charitable involvement, we spent over 5% of our net income on charitable donations and so on.

As you know, credit unions are very different from banks. We're member-owned and our members actually like dealing with their financial institution. Throughout eastern Ontario, we are involved in a lot of small communities and employer communities as well.

For credit unions, we are currently involved in a very competitive environment, competing with all the banks and other financial institutions that are trying to serve our members as well. We're always looking for efficiencies and opportunities for saving money and passing on the benefits to our members and providing them with additional products and services.

We are looking for some changes to legislation that will help us become more competitive and provide these additional services to our members. These changes that we're asking for will not cost the government any money.

In the packages we gave you, there is a five-page submission that has more details, which I believe you've received from some other credit unions previously.

The first issue we're looking at is that for a few years now we have been trying to make our credit union system more efficient. Today we have what's called a three-tier system: we have a national credit union organization, we have a provincial association and then we have our credit unions at the local level. To be more efficient, we are trying to boil this down to a two-tier system. After many tries, we've been very successful in discussions with BC and we have put together a package

where we're trying to consolidate our central here in Ontario and in BC. At a special general meeting last fall, 98% of the members at our association here in Ontario voted in support of proceeding with this deal, and I think 99% supported the deal out in BC.

Our business case for this proposed merger is very positive for our credit union system and for our credit union here locally. So it is something that we really do want to see proceed. Again, we do know that we'll save money, which we'll be able to pass on to our members in terms of better services, more services, and better rates or lower rates on loans and so on.

We have been discussing this issue with the Ministry of Finance for I think over a year or two years now. I'm not sure what the reason is as to why we don't have the legislation, but time is of the essence in terms of proceeding with the deal. We had initially hoped to have the amalgamation occur by June of this year, so that's why we're hoping for the amendments to the budget.

That was the first item we wanted to talk about.

Mr Harrison: I just want to give a little background on who I am. Our credit union is very small—\$17 million, and only 1,200 members—and we're located in Ottawa. So why am I here? We like to consider our credit union unique. Credit unions always think they serve their members in a unique way, and all credit unions in Ontario, just because of their size, share the same issues.

With our specific membership bond and our location, we are very focused on serving our members, and a lot of credit unions are. In small communities, our credit unions are focused on industrial groups. They know their members. Our relatively small size as compared to other FIs allows us to serve our members in a truly individual way. We do know our members, and not just because we know their name and get it off a database; we do know our members.

Because our credit union is part of a bigger group of credit unions, because of our size, we are able to offer the services that large financial institutions can offer, like state-of-the-art banking systems, Internet banking and access to ATMs. Our credit union doesn't even own an ATM, and our members can go to any ATM and use it. Because we have worked so hard to develop an extensive group of network partners, our size is not a barrier to offering a large list of services to our members, enabling us to compete with other FIs on a level playing field.

However, there is one area I'd like to speak about that I know close to heart. It's called collateral mortgages. Currently, banks can secure a personal loan over \$25,000 with a collateral mortgage on a residential property if the loan, together with all prior encumbrances, exceeds 75% of the value of that mortgaged property, as long as the loan is not used to purchase or improve the property. Credit unions would like the act changed to allow them the same opportunities the banks have. Credit unions thought we'd always had that. I've been in the credit union system for 20 years and I always thought we could do this thing. We just found out we can't.

Credit unions in other provinces do not face the same restrictions. Because of this disadvantage, credit unions assume greater lending risks than they would otherwise assume in order to compete. That's true. We find that the banks can do this—they can do the collateral mortgage on a piece of property—and the credit unions can't. Our members are asking for that and we can't, so they move on to other financial institutions. Very simply, an amendment to section 57 of the Credit Unions and Caisses Populaires Act is requested.

That's all I have to say.

Mr Ebsary: One final item we wanted to talk about was our DICO premiums. DICO is our deposit insurer based here in Ontario. Our premiums are a very expensive cost for all of our credit unions, and they are much higher than what the banks pay through CDIC. In order to be competitive, we would like to have the costs reduced. We believe they can be reduced and still enable DICO to build up sufficient reserves to provide adequate security for the system. That is something else that we would like you to have a look at, and I know we have been talking with the Ministry of Finance on that.

Those are all our points. I know you've received this input from our association, Credit Union Central of Ontario, and you have heard some other credit unions. We're here today basically because these issues are extremely important to us and our members and we wanted to let you know that. Thank you.

The Chair: That leaves us with just about two minutes for each party. We begin the rotation in that regard with the NDP.

Mr Christopherson: Thank you, gentlemen. Yes, indeed, we've heard from I think every credit union in every community we've been in, and I would like to think you're in here today sealing the deal. Whether the parliamentary assistant—is Mr Beaubien the PA? I don't know whether he's had a chance to communicate with the minister's office.

If anybody's following these hearings and if they take any time at all to read the Hansards or listen to anybody who was here, they have to hear—there are always themes, and if there are half a dozen motherhood issues, yours is in there for sure, especially when it doesn't cost money. Governments of all stripes love to do things that people like and that don't cost money. So if it doesn't happen, it's certainly not through lack of trying. I have no indication, but I've got to believe you've got a really good chance of getting this. It's certainly necessary. We want the credit unions. Regardless of one's political stripe, I think everybody believes the notion of alternative financial institutions is in the best interests of community and in the best interests of competition.

All I can say is, you've done a very effective job of coordinating your efforts, and I congratulate all of you and all the credit unions for the job you've done in these last couple of weeks.

The Chair: We move to the government side.

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Mr Sampson: I agree with Mr Christopherson, but I want to talk to you about the deposit insurance premium. That's been an issue for some time with the credit union movement and the credit union institutions, their fee relative to the deposit insurance fee that CIBC would pay for a deposit.

I think, though, one has to realize that some of that additional cost is based upon some statistical, actuarial calculation of the risk. The reality is that if a credit union were to fail—and Mr Kwinter might speak to this as well; I don't know—it would end up on the provincial coffers. That's the reality of the problem. So on behalf of the taxpayer I think it's prudent for us to make sure that there are reserves that have been built up by the institution itself and the movement in general to help carry that freight in the event that there is a problem with any one institution. You know, and I have some experience with this, that when an institution fails, it goes fast, and before you know it, you're left with very little but depositors saying, "And what about my deposit account?" So is there a better way to calculate the financial risk? Is that the point you're making? Are we doing it wrong now? Is there a better way to spread that risk among other members?

Mr Ebsary: Actually, we've been debating this for quite a few years. I know DICO has actuaries, we've had actuaries, and there isn't an easy answer to it. We have had studies and looked at what they're doing in other provinces. In other provinces, a lot of the premiums they're paying are much lower than what we're paying. You can't pick one answer. Again, you have actuaries looking at it. When I look at it as a user, I know we are building reserves quickly now and there is a large pool of income coming in on an ongoing basis to protect against losses. So my belief is that the amount can be lower and still be sufficient to build a reserve that will build enough for our members' protection.

The Chair: We go to the official opposition.

Mr Kwinter: Thank you very much for your presentation. As Mr Christopherson said, every community we've gone to, we've heard from the credit unions, so we're very well aware of the issue. We have discussed this several times. Just as a bit of advice, I would change a sentence you have in the fourth paragraph, where you say, "Credit unions consistently score high marks in terms of customer service and are given top marks for delivering the lowest service fees and the highest interest rates." I would think that you should clarify that you're talking about deposits and not loans. That's just a piece of gratuitous advice.

I'd like to follow up, as Mr Sampson said, on the premiums. There's no question that the premiums reflect the level of risk. I think one of the ways you could make it more equitable—and I don't know what the levels are for category 1 in the banks and category 1 in the credit unions. But I know that HEPSCO, which is one of the largest credit unions in Ontario—and I used this example with some of the other groups—is as close to a bank as

you're going to get because of their sheer volume. I would think that their premiums should reflect that particular low risk. If HEPSCO goes down, every credit union in Ontario will go down because of their sheer strength. To have a 21-cent-per-\$1,000 rate for a category 1 bank and a 90-cent-per-\$1,000 rate for a category 1 credit union seems to me to be a little bit of an inequity. When you get farther down the line, and I think it's reflected in the fact that there are five categories for credit unions and only four for banks, I could see the discrepancy. So I take your point, but there's no question that the rate is determined by the risk. I don't know whether you have any comment.

The Chair: Is there a question there, sir?

Mr Kwinter: I just want to know whether you have any comments.

Mr Ebsary: Probably just a quick comment that our rates are higher than the banks' rates, and they probably do need to be higher, given the size and so on. Again, we've had actuaries debate on both sides, and there isn't one right answer. But as an operating credit union, we pay a large sum every year, and I see it coming off my bottom line. I do believe that the system is fairly secure and that we can meet both requirements of lowering the total premium that's being paid to DICO and still achieving an adequate level of security so that the government doesn't need to worry about having to back up losses in the credit union system.

The Chair: Thank you, gentlemen. We appreciate your input.

CITY VIEW CENTRE FOR CHILD AND FAMILY SERVICES

The Chair: Our next group is the City View Centre for Child and Family Services. Please come forward. Please state your name clearly for the record, madam.

Ms Kathy Yach: My name is Kathy Yach. I'm director of City View Centre for Child and Family Services. Thank you very much for allowing me to present this document to you today.

Background: City View Centre for Child and Family Services has been providing child care services to families in Nepean since 1974 through City View Day Care Centre and City View Family Day Care. Currently we provide an Early Years centre, home child care for 350 children aged six weeks to 12 years, group care for 48 children aged two to five years, a summer camp program for 60 children aged five to 12 years, workshops and training for parents and caregivers, and placements for ECE and nursing students and Ontario Works.

City View Centre for Child and Family Services is now building a new facility at the corner of Longfields and Strandherd Drive. The new centre will house a daycare for 63 preschool children aged 18 months to five years, home child care for 350 children aged six weeks to 12 years, 24 kindergarten and school-age programs for children aged five years to 12 years, a summer camp program for 60 children aged five years to 12 years, a

resource centre serving families and caregivers, a toy-lending library serving families and caregivers and other community partners, plus our Early Years centre located on Greenbank Road.

Issues: the new centre will be located in the south Nepean area, which is one of the fastest-growing communities in the city of Ottawa. By the year 2006, it is estimated that the population of south Ottawa will have grown from 22,000 to 52,000. Access to child care services is one of the quality-of-life factors that influence the decisions of potential residents.

This new centre will enable us to increase the number of families we serve, provide access to physically challenged children and give us the ability to increase our spaces for children with special needs. In the daycare centre, we now have four children with special needs. We are also looking at the option of extending the hours to 11 pm to accommodate parents who work various shifts.

The city of Ottawa provided us with \$2.9 million toward the new centre. The total cost to build and equip the new centre is \$3.5 million. As a result, we have started a fundraising campaign to raise the balance of funds needed for our centre.

Our Early Years centre is a very busy place. We opened the centre in the fall. We provide services to children aged zero to six years of age in both English and French, offering early learning activities, parent resources and training, a toy-lending library, pre- and post-natal information, a link to other Early Years services, outreach services, a speakers' bureau, volunteer coordination, early literacy, data gathering and monitoring.

Because south Nepean is predominately young families, many people are using the services. They are parents who have taken the one-year maternity leave or parents who are staying at home.

Pay equity legislation was put in place a number of years ago. Over the past few years we have not received the provincial share of the pay equity monies.

Current regulations and standards: currently, the Day Nurseries Act—the DNA—regulates child care, home care and nursery school programs. At the present time, the requirement for staffing is one ECE diploma or equivalent in a room. I feel very strongly that all staff working in licensed group care programs should be required to have the ECE diploma or equivalent in order to have high-quality programs.

Recommendations:

(1) That Ontario work with the federal government and the municipalities to find a comprehensive and cohesive early childhood education and care program that moves away from a targeted system to a publicly funded, integrated and accessible system which includes 100% capital funding;

(2) That Ontario continue to fund Early Years centres across the province at the current level of funding;

(3) That Ontario restore the pay equity funding to all early childhood educators working in regulated education and care; and

(4) That Ontario require that all staff working in group care have the ECE diploma or equivalent.

Thank you.

The Vice-Chair: I will look first to the government side for a question.

Mr Sampson: What's the time, Chair?

The Vice-Chair: You have enough time to ask a question.

Mr Sampson: The Early Years centre: it's just an Early Years centre that you're running?

Ms Yach: Yes, it's one of the new ones across the province.

Mr Sampson: I think you mean to say this positively, as opposed to any other way. You say the parents are primarily those who have either taken mat leave or are staying at home to care for their kids. I'm assuming from that statement that you mean that's a good thing.

Ms Yach: Yes. I'm saying it's good that we have the Early Years for the parents who are taking the maternity leave or choose to stay at home.

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Mr Sampson: But the suggestion that we forward to "a targeted system to a publicly funded, integrated, accessible system which includes 100% capital funding" is something over and above the Early Years.

Ms Yach: That's right.

Mr Sampson: You're saying, "Don't get rid of the Early Years centres concept?"

Ms Yach: No.

Mr Sampson: But add to it for those who are working and don't stay at home. Is that the message?

Ms Yach: I think the current stats—I'm not sure, but I think as of a year ago 68% of the women and men were in the workforce. I think we have moved to a point in our lives where parents need to have options. The parents who want to stay home or the parents who want to access the Early Years is one; the others, who have to work or choose to work or are at school, should be able to access daycare.

Mr Sampson: I think your point is, then, do both. Is that what I'm getting?

Ms Yach: Yes.

Mr Sampson: Not, one takes over the other.

Ms Yach: No. I feel very strongly about that. Just to add to that, I think parents should be allowed options. I think there should be daycares in schools as well, and after-four programs.

The Vice-Chair: Are you done?

Mr Sampson: Yes.

The Vice-Chair: I'll turn now to the Liberal caucus. Mr Patten, do you have a question?

Mr Patten: Yes. It has shrunk by 50%. Good afternoon, Kathy. How are you?

Ms Yach: Hi, Richard.

Mr Patten: I guess you've been following some of the discussions at the federal level for supporting child care and all that. What's your read on that?

Ms Yach: I just hope that the province of Ontario looks at discussions with the federal government to look

at some type of daycare system available to parents across the province. I know people are going to say it's going to be costly, but the flip side of it is, if you don't have access to daycare, then what are parents going to do about their children?

I really, really strongly believe this. I've been in the field for 35 years. I sat on the Ottawa Board of Education and introduced child care in the schools in the Ottawa board. I know the implications. But I really feel strongly that the province should be discussing with the federal government and the municipalities, because it's a three-way street, as to how you can deliver this.

Mr Patten: I'm glad to hear you encourage the provincial government, because my read is that Ontario is one of the blocks in terms of participating in the sense in which I think some of us would like to see the province participate.

I agree with you: you're going to pay here or you're going to pay a hell of a lot more over there. That's probably true. We hear from medical experts and we hear from educators and one thing or another and very often it all comes down to how significant your contribution and investment was in the early years. No matter how you cut it, it will be a bigger payoff down the line. I don't think the present government is there yet. I know you are because I've known you for many years.

Ms Yach: I just want to say that I want parents to have options and I want parents to be able to access what they want. Some choose to use their own relatives; some choose to use nannies—some of you here maybe even use nannies; others may choose to have a home visitor. I just think parents should have a number of options. They're not all going to use daycare; that's a given.

The Vice-Chair: Turning now to the New Democrats, Mr Christopherson. We still have maybe one more question. Don't go away.

Mr Christopherson: It's only me, but don't forget us.

Ms Yach: Sorry, David. I thought I was finished.

Mr Christopherson: That's all right. You could almost label what we've been doing for two weeks "The Tour for Children." Credits unions were everywhere, but I think in terms of the pre-eminence of issues, next to business groups coming in, wanting more damn tax cuts, I would say that children's issues have been probably the biggest issues. They've intersected everything we've talked about, whether it's health care, obviously education and child care, poverty—they run the whole gamut. I was quite taken to see that the city of Ottawa has been able to come up with \$2.9 million toward your new centre.

Ms Yach: Just a quick background. We were to do a partnership with JDS. We were to build a daycare centre on-site at JDS. That fell through three years ago when JDS merged with Uniphase. On October 7 they informed us that it was a no-go, so we had to restart. With the city of Ottawa, we decided to relocate in south Barrhaven. The city has been very supportive because there's such a need out there. In retrospect, as many say, I guess it's

good we didn't go with JDS, so somebody up there was looking out for us.

Mr Christopherson: I'm thrilled that the city of Ottawa has got the flexibility to be able to provide that, because I can tell you, not every community can. I know that in Hamilton they're struggling right now with the budget trying to find money to repair the water mains; it's that tight.

Mr O'Toole: They could raise taxes, Dave.

Mr Christopherson: Do you want to take the floor, John? You don't want to talk when it's your turn, but when it's everybody else's turn, you've got lots to say. Why don't you just shut up?

The Vice-Chair: Order.

Mr Christopherson: I think it's important to put on the record again that people who receive their education and get an ECE diploma make how much a year as a starting wage?

Ms Yach: Ottawa is the highest in the province and right now our staff start at \$30,000.

Mr Christopherson: That's pretty high, actually. Most of what I've heard is around \$21,000, \$22,000.

Ms Yach: Ottawa is the highest.

Mr Christopherson: That's after what? How do you get to ECE?

Ms Yach: Two years at a local college or a four-year program at Ryerson.

Mr Christopherson: I still have great admiration for people who are prepared to commit their lives to children and that kind of profession knowing that the money is not there. It's got to be one of the most selfless decisions anyone can make, but I wouldn't expect O'Toole to understand that.

Ms Yach: Thank you very much.

Mr O'Toole: Mr Chair, could you have him withdraw? He's been nickel-and-diming all day long. That's not acceptable.

The Vice-Chair: Thank you very much for your presentation. I appreciate your presentation.

Mr O'Toole: Take it back.

Mr Christopherson: I'm asking you to please stop mumbling.

The Vice-Chair: Order.

Interjections.

The Vice-Chair: Order, guys.

TASK FORCE ON OUTDOOR EDUCATION FOR THE OTTAWA-CARLETON DISTRICT SCHOOL BOARD

The Vice-Chair: I'd like to call forward our next group scheduled to make a presentation—I'm sure all members will want to hear it—the Task Force on Outdoor Education. Welcome to the standing committee on finance and economic affairs. Would you, first of all, identify yourself for the purposes of our Hansard record?

Mr Ray Ostiguy: My name is Ray Ostiguy. I'm a volunteer on the task force, which was established by the Ottawa-Carleton District School Board, concerned with

the future for outdoor education in Ottawa-Carleton, now the city of Ottawa.

I believe Mr Libbey was here this morning and made a presentation. I happened to read his material and I recall he said, "Listen intently." I don't know if you repeated that line during the course. I have no material to hand out because part of our concern is for the environment, and I think we do a whole lot to the environment by reproducing multiple pages of reports. I hope I'll leave an impression but I won't leave you any paper.

The outdoor education centres in Ottawa are the focus of outdoor education. Perhaps a little bit of background—Mr Patten will know about them, but for those of you not from Ottawa, we have two centres. One is the MacSkimming Outdoor Education Centre, which is in the east part of our jurisdiction. It was established in 1966. It has been in service for 36 continuous years and has served close to a million students during that time. It's located on 400 acres with 50 buildings and five distinct learning areas. The philosophy of the school since it was opened was that the land is the school and the outdoor learning areas are the classrooms. That pretty much typifies the philosophy.

At the west end of our jurisdiction is the Bill Mason outdoor education centre. It was established in 1988. It has been in continuous operation for 14 years and has 77 acres, including a class 1 wetland.

The combined budgets in 1992—which was really the heyday of education for both centres—was \$1.5 million. They had 28 staff, and over 30,000 students a year visited both centres. At that time, the board had its own school buses and provided transportation. As you know, that has changed dramatically.

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In 1996 at MacSkimming, user fees were introduced for the first time, and likewise at Bill Mason in 1998. It's still not enough, unfortunately, and the risk that the outdoor centres in Ottawa face is to come up with a \$350,000 deficit. That's pretty small on the scale of what you're looking at in a provincial budget, but it's not small to the over 17,000 who were served last year. What's at risk is not only those people but their children, and their children after that, we hope.

The positive news is that the use has increased. One of the things the task force was looking at was to convince the school board, before it was taken over by a supervisor, that if we could continue to grow the numbers and continue to grow the revenue from user fees, the board should consider not closing them.

It might also be useful to compare the statistics to what Toronto has spent on outdoor education. They have five day centres, which last year had visits of 65,000 students, and seven residential centres, which had 20,000 visits last year, but they spent \$8.4 million on the program; no user fees. So consider 17,000 users and the \$350,000 overall cost; I think it says a lot for the way we've tried to do things here in Ottawa.

The other problem we have is that we no longer have a school board; we have a supervisor. So it's not the elect-

ed officials who will make the decision about whether or not these centres will close; it will be a supervisor appointed by the province—another special risk.

It started in Toronto. Toronto has a supervisor as well, and on January 28, three outdoor education centres were closed, allegedly to save \$1 million in their budget. As I mentioned, they were spending \$8.4 million. So it has started. Fortunately, it hasn't happened yet in Ottawa, but it's likely to unless there is some special recognition of the importance of outdoor education in the overall system of education. It's not just about curriculum; it's also about a way of life, and I think that was clearly demonstrated.

The government of Canada, the Minister of the Environment in particular, two years ago commissioned a Canada-wide consultation, which involved 5,500 participants. As the minister said in the introduction to a report that was filed at the World Summit on Sustainable Development in Johannesburg in 2002, "The level of participation among educators and learners from across Canada was unprecedented." That shows its importance, I think. He also indicated in his introduction, "It is clear that environmental learning will be key to help Canadians make the decisions required to ensure a sustainable society."

That's where environmental learning leads: to sustain a society. It's not just a process of education. It's a lot more than that and it's something that's suffering because the curriculum in the schools is suffering because of inadequate funding.

Clearly, one of the ideas for action that was brought forward in the report was that more resources be devoted to environmental education programs at all levels of formal education, leading to an increase in the number and breadth of K to 12 course modules, post-secondary courses and degree programs, and post-graduate programs with environmental education specialties. So the emphasis is from K to post-graduate importance in the learning process, a learning process that has to be subsidized, I believe, with public funding. Those are the areas where outdoor education fits in the context.

What to do? I think one of the things you can do is to stop the cycle of defunding and refunding. Defunding cuts only have to turn around and refund it properly. A perfect example is the Walkerton situation, where allegedly cuts in the environmental ministry led to the Walkerton situation. We've seen the cost of just the investigation and study of that, where it will lead to and the costs that flow from a consequence of perhaps a minor reduction in program spending.

Secondly, stop treating education as an expense. It's an investment, and that's clearly recognized from the government's own study, Mr Mordechai Rozanski's Education Equality Task Force, which has as its title Investing in Public Education. Investing in public education is what's important. He suggests two things: first, stabilize funding that has been too low and that has created problems, one of which led to the appointment of the

supervisor in Ottawa. Stabilize funding and, as he puts it, you foster stability in the education system.

What else does he recommend? He recommends sustaining funding at appropriate levels or what he describes as multi-year plans. Multi-year plans make a lot of sense. Where does it leave us in terms of education? Specifically for outdoor centres, you want to know where we can identify it in the recommendations. Recommendations 17 and 18: "The Ministry of Education reconstitute the local priorities amount as 5% of the basic amount of school boards' foundation grants (updated as per recommendations 1 and 2)," which means bringing them up where they should have been, "and that the boards apply the local priorities amount to locally established priorities, programs and services aimed at the continuous improvement of student learning and achievement." How? By consulting with principals, school councils, parents and so on.

"Local priorities"—outdoor education in Ottawa has been a local priority, the kind of commitment that was made to it in MacSkimming's case going back 36 years. That's the kind of thing even Rozanski has recognized, which I think clearly would support the role that local priorities, not just outdoor education but others, have to play.

Finally, some conclusions: think globally, act locally. Environmental education proceeds from awareness to knowledge to action. So encourage action, recognize efforts and celebrate successes.

The Vice-Chair: Thank you very much for your presentation. Time for questions and comments. I'll turn first to the Liberal caucus.

Mr Patten: Thank you very much for zeroing in on this particular aspect. I thought that one of the superlords had already identified outdoor education as one of the things to be cut from the budget.

Mr Ostiguy: The Ottawa supervisor?

Mr Patten: Yes.

Mr Ostiguy: He's served notices to the staff that they may be redundant.

Mr Patten: He made a few other decisions that parents took to court and he lost. Of course, he has left now.

Getting across the idea of utilizing an outdoor education site as conceptually a classroom, a lot of people see it as just recreation. It's time off, it's out of the classroom, it's not learning, which is of course silly because it is one of the most profound ways in which our youngsters do learn. Their full senses are there: they can see, they can touch, they can smell, they can observe. It's a very powerful instrument of learning about nature, of learning about the environment and the interrelationship and integrity of our environment.

What studies do you have that show that? Surely we must have some pretty powerful studies that support this kind of learning as being an extremely valuable context for value education and environmental sensitivity.

Mr Ostiguy: Two things: first of all, it's not a field trip, because the interpreters, the staff, actually teach curriculum. It's related to curriculum studies within the

school system. Second, yes, all kinds of statistics indicate clearly the childhood learning experience, particularly in environmental situations such as this. Also, we have new Canadians; we have people who live in cities who never communicate with nature. Definitely the indications are that having this opportunity, not only from a learning process but from a sustainable society process, which I mentioned in the study that Environment Canada did, clearly establishes that link.

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The Vice-Chair: I'll turn to the New Democrats.

Mr Christopherson: Thank you for your presentation. Again, to pick up where my friend left off, do you know what? Even if some of the kids do think it's time off and it's a bit of leisure, when I think about some of the lifestyles that children in the inner city in Hamilton face, a sunny afternoon spent out in nature in a structured environment where they're safe and learning, whether they know it or not, is a phenomenal thing for them. If nothing else, it shows them that there are other ways to think about the future and to grasp hope without looking for the diversion of drugs or alcohol or other things that take them away from some of the sadness in their lives. If you look at some of the challenges that are facing some children, it's very, very sad what they're facing. I think this is just a wonderful thing.

On a positive note, let me just say that I think we're succeeding with the younger people. I think about my own 10-year-old daughter, and when she talks to me about the environment, it's not a big deal to talk about it. It's as much a part of her as learning how to safely cross the street.

Lastly, I thought you gave a great example with Walkerton, a perfect example: not enough money to deal with the environment until it's a political crisis. It became a political crisis because innocent citizens died, and suddenly blank cheques were written to do everything humanly possible to deal with that. Wouldn't we have saved a whole lot more and been a lot further off as a province if we had taken that money and kept it invested in the environment ministry in the first place?

So thank you very much for your presentation, sir.

The Vice-Chair: I'll turn now to the government caucus.

Mr Beaubien: Thank you very much for your presentation. Since we've talked about Walkerton, this is public water, I think, from the Ottawa public utilities, run by public employees. I don't know if it has been inspected. I have to have an element of trust that somebody has treated this water, that it has been treated and been reported properly. So before we point the finger at somebody else, I think maybe we should always look at the fact that there are three pointing at us.

I do agree with the value of outdoor education. You mention the fact that it's a way of life; I agree. But you also mention that in Ottawa you service 17,000 people at a cost of \$350,000. Toronto does about 85,000 at a cost of \$8.4 million. If I do the quick math, Ottawa does it on \$20 per capita; Toronto does it on \$100 per capita. Yet

through negotiation, the salary for the teacher who's providing the education, the training, is probably the same in Toronto as it is in Ottawa, or pretty close. Why would there be an \$80 per capita difference between the two programs?

Mr Ostiguy: I can't answer your question. I can only tell you how we do it in Ottawa and how efficient it has been. In part, I suppose, there are a lot of volunteers.

Mr Beaubien: So how do you instill accountability into the system?

Interjection.

Mr Beaubien: No. He told me \$350,000.

Mr Ostiguy: Yes, \$350,000 is the gap.

Mr Beaubien: But how do you instill accountability into the system?

Mr Ostiguy: In our case, the accountability is that if there's something more important, like textbooks, it gets cut.

Mr Beaubien: But who makes the decision?

Mr Ostiguy: In our case, the supervisor, not the elected trustees.

Mr Beaubien: But prior to 1997, there were a lot of people complaining about the rising costs of property taxes. Am I right or am I wrong?

Mr Ostiguy: Ottawa was fortunate. In Ottawa we had a very strong tax base. The taxpayers here didn't mind 10% per year increases because we had a very good education system, part of which was the outdoor learning centres.

Mr Beaubien: So it was fair for your students, because you have a very strong tax base, to spend, let's say, \$9,000 per student, and yet in my area, because we don't have a strong tax base, we're spending half of that. Is that fair and equitable to all the students in the province of Ontario?

Mr Ostiguy: What the government has done is it has introduced a lowest common denominator. Everybody gets the same amount.

Mr Beaubien: Yes, but many boards are benefiting from it. The funding in my area has gone up by \$2,200 per student.

Mr Ostiguy: I think that's wonderful. All I'm saying is that there should be recognition in the local initiatives aspect. I don't know what board you're from, sir, but I'll bet you there are some things in your board that could benefit from a local initiatives aspect.

Mr Beaubien: We develop doctors and lawyers and teachers and all kinds of other—our citizens are tax-paying citizens. They've done very well in the community. And yet we're spending a third or two thirds of what you are spending here. So the end results were there.

Mr Ostiguy: Well, I don't know what you were spending on special education.

The Vice-Chair: Thank you very much for your presentation.

Our next scheduled group is Community Legal Services of Ottawa. Are they present? It appears not.

NEPEAN COMMUNITY RESOURCE CENTRE

The Vice-Chair: I'll call forward the next group, the Nepean community residential centre.

Mr Sampson: Are you going up to 3:20 now, Chair?

The Vice-Chair: Yes.

Mr Sampson: The 3 o'clock group's not here?

The Vice-Chair: Not yet.

If you'd like to come forward and take a seat, we look forward to hearing your presentation. Welcome.

Ms Kim Bulger: Thanks for allowing us to speak this afternoon. I think we're a little bit early. One of my board members, Mrs YuQing Shaw, was supposed to be here at 3:20, so she'll join us if she does come.

Mr Christopherson: You have the right to wait if you'd like.

The Vice-Chair: Would you prefer to?

Ms Bulger: It's to show support, so as long as you know that there's support there, I have another board member, Mr Arya Rahmatullah, so we can proceed. I know it's a long day for you.

Just a little correction: it's the Nepean Community Resource Centre, not residential centre. It's one of 14 community resource centres across Ottawa that are funded by the city of Ottawa.

The Vice-Chair: I apologize.

Ms Bulger: That's OK. We'd like to talk today about issues around primary care reform and community health, and bringing health services to Nepean. We serve Nepean, but we also serve two former rural municipalities, Rideau and Osgoode, which became part of the city of Ottawa with the recent amalgamation.

Just so you have a sense of the territory we cover, this is a City of Ottawa People Services map, which they have divided up into quadrants. Our service area is the orange part, so this part is the urban part of the city. Then there's the suburban part; that's Barrhaven-south Nepean. It's a vastly growing area. A lot of high-tech and new families have moved into there. The far part are the two former rural municipalities of Osgoode and Rideau. That just gives you a sense of the territory and the vastness of the territory that we cover.

We were established in 1989 to facilitate the delivery of social services in Nepean. I think a lot of you have community health centres; I know Mr Patten has been an ardent supporter of community health centres. I think some of the people on the panel have supported their communities in establishing them and advocating for nurse practitioners—from what I've read in Hansard, anyway. I won't belabour this point, but I think people are inside in terms of the value they add to the community and the underlying philosophy of community-governed and the coordinated services and that it's integrated. I think the primary issues of community health centres are those of accessibility, coordinated services, comprehensive services, and building community capacity.

Works in partnership: one of the value-added of community health centres is the way that health centres work in partnership with various other groups in the community, whether it be churches or schools or YMCAs. There's a lot of value added by the tentacles, the breadth and depth that we have into the broader community.

For Nepean, each community health centre would prioritize the groups based on where they reside. For some communities, it would be native communities or aboriginal communities. For our community, because of the demographics—I'll get to that—we would prioritize based on the background and the composition of our own specific community. The navy blue part is what additional services we could offer should we become a health centre.

1450

Again, health centres are accessible to the whole community, but within that, various community centres will prioritize. Because of our demographics, it would be the rural community, seniors. The 1996 census indicated that we had the highest number of seniors in our community, with the exception of Victoria. When the new census comes out that might change, but for now we use that stat. There are lots of youth in our community and lots of young families in the Barrhaven area.

The value of community health centres: I know this has been a priority of your government, the issue of salaried doctors—the cost containment, knowing that, say, for the next five years a doctor's salary or a physician's salary will be a certain amount of money. The use of nurse practitioners can alleviate some of the less complex cases that a physician doesn't necessarily need to see. There's been research that has indicated a reduction in emergency room visits if you're listed or registered with a community health centre. The prevention aspect: a Saskatchewan study indicated there was a 13% to 17% saving by using community health centres versus the fee-for-service approach.

Why now for the Nepean Community Resource Centre? The Ministry of Health has indicated a commitment to primary care reform. I think the news that the minister was in town last night bodes well for the whole issue of community primary care reform.

The Ministry of Health ordered a strategic review to look at the effectiveness of community health centres which was supposed to come out in the spring of 2001, but was released this past July. It was a very positive outcome in terms of the effectiveness, the cost effectiveness and the outcomes of community health centres. That really bolstered the cause for establishing new centres, so we were thrilled to see the release of that report.

This model dovetails with the Romanow and Kirby reports, which really talk about primary care and investing in health promotion and injury prevention. Our community is totally underserved. Like I say, the census isn't out, but we have between 160,000 and 170,000 people with no community-based health services at all, so we're terribly underserved.

There was a process in the spring of 2001 where they short-listed community health centres—I think there might have been 100 at that time—and Nepean was one of 13 that was short-listed, so we were ready to go yesterday. I know there's a lot of frustration in the community about health services and I think it's an opportunity for the ministry to dovetail its strategy with centres like ours that are ready to go and offer services.

Just a little bit more information about our community: it's extremely culturally diverse. We've completed one needs assessment in a little portion of our community, and there are more than 55 nationalities in that community. We have a really high number of Mandarin-speaking seniors in our community—and a Mandarin-speaking community as well—who are unable to access many services downtown, because for most of them their language is Cantonese. There are many sole-support parents residing in our community as well.

That's kind of a quick and dirty background on the issue of the community health centre for our community. We'd welcome any questions you might have.

The Vice-Chair: I'll turn first of all the New Democrats for questions.

Mr Christopherson: Thank you for your presentation. I was quite struck by figure 4, the one where you had the navy blue piece. Normally they start from scratch, with just a group of interested citizens pulling things together. You've got everything in place except that last, most important piece. I was very impressed with that.

I really only have one question and then you can respond in whatever way you wish. The funding requirement was \$3.7 million. Are you able to identify with a great deal of certainty where you would be relieving the health care system of other expenditures? I say that because it would seem to me that some of this money should not be seen as new money but rather as redirected money.

Ms Bulger: Exactly; it is. Much of the primary care cost would be redirected from the OHIP budget over into the community health budget. So that's a bit false or a bit misleading. We'd have to tally it up, but it would be redirected money for physician wages and nurses from the OHIP purse. So some of that is marginal costs. I think that's the beauty of it; it's building on existing infrastructures. We're not starting from scratch. We have some admin support, we have a board, we have the governance policies and procedures in place. So it's kind of tagging on or augmenting pre-existing services. As well, we've got those partnerships already in the community, so we're ready to go.

Mr Christopherson: Yes, that's the way it would look. If anybody is ready, you're ready.

The Chair: I have to apologize to you. I didn't ask you to introduce yourself at the outset, and we need you to do that.

Ms Bulger: I'm sorry. I'm Kim Bulger. I'm the executive director for the Nepean Community Resource Centre.

The Vice-Chair: I'll turn now to the government side for a question.

Mr Beaubien: Thank you very much for your presentation. I totally agree with you; I think the community care health centre is the wave of the future to provide accessible, affordable, quality primary health care for the residents of Ontario. I have three in my riding and we're working on another one. Hopefully we'll be successful in getting some funding, and getting this one started also.

Yesterday we had a presentation in Thunder Bay from a hospital administrator from a small community of about 5,000 people. I think we have to be cautious also that the primary health centres may not be the be-all and end-all and the answer for everybody. He pointed out that they have the infrastructure, with the small hospital, already in place. They could expand the services they're providing as a hospital to have some primary health care. So they do have some different challenges that you may not have or we may not have in our ridings.

But I totally agree with the content of your presentation because, even though there are an awful lot of barriers—I think you know the frictions between the nurse practitioners and the OMA, that it's not always a happy marriage. That presents some difficulties. But if we can remove some of the silos and lower them a little bit, at the end of the day I think people will be fairly well served with the community health centres.

I don't really have any questions of you.

The Vice-Chair: I'll turn now to the Liberal caucus.

Mr Patten: It's good to see you again. As you know, I'm quite familiar with the concept. I'm trying to think of anything I would support more, and I'd be hard-pressed.

You used the stat that there was a 13% to 17% less costly effort versus fee for service. Are you including hospitals in that? When you say fee for service, are you talking about a private clinic?

Ms Bulger: No, I think that was a private practitioner or clinic. That was the Saskatchewan study that was completed.

Mr Patten: I think from one of the studies that was done out of the Somerset West Community Health Centre, they felt they were able to divert 90% of the people who came in for medical consultations of one form or another from going to emergency on the week-ends. Now, there's a massive savings. That, in and of itself, is worth the budget of the whole centre, because there's nothing more expensive than the ER in a hospital, emergency, and off you go on your round of tests. So that was fairly significant.

The strongest point, in my opinion, is that it's community corporate memory, and relationships with people who know the community better than a big hospital does. The big hospital is there for tertiary care and all that sort of thing, but I think the wave of the future, which quite frankly I thought 30 years ago should be this, is now coming, and it's community-based. The biggest change in primary care will be, one way or another, dragging doctors and governments screaming and kicking in spite of themselves. It will happen because it is a far more

efficient and effective way to go. You're community-based, and that relationship is extremely important. Would you disagree with me?

1500

Ms Bulger: I wouldn't. Shelley Martel has been a wonderful advocate for it, the Liberals have been wonderful and Mr Guzzo as well as. I think we've had good support from all three parties. I don't know if it's the OMA that's—I don't know if that there's any enemy, and I think there's room for everybody to operate with different models along the continuum. I just hope that, with the primary care reform, community health centres will be seen as a centrepiece and will be able to do the job in an effective way. I hope there's some room for compromise in that.

Mr Patten: The OMA is still not too keen on supporting you—

Ms Bulger: It's interesting because we've had calls, and I have some names of doctors who want to work in a community health centre, and I have names of nurse practitioners, so people do want to work in community health centres because of the hours, because of working with a team and because the referrals are very efficient within the agency; there's not the shuttling around. So people feel very satisfied about it.

One doctor said to me last week, "The OMA doesn't always represent our opinions accurately," so who knows? But they must have to vote and go through a democratic process, for sure. I just hope there's some give there so that the residents and the community are the beneficiaries of health care and health services.

The Vice-Chair: Thank you very much.

COMMUNITY LEGAL SERVICES, OTTAWA CENTRE

The Vice-Chair: Our next group I would like to call forward is Community Legal Services, Ottawa Centre. Please have a seat and accept our welcome to the standing committee on finance and economic affairs. I would ask that you introduce yourself for the purposes of our Hansard record.

Ms Jane Hueston: Good afternoon. Thank you very much for the opportunity to speak to you. My name is Jane Hueston. I'm a lawyer at one of the legal clinics in Ottawa, one of three community legal services. We're located in the downtown area. I have been working there for 20 years this year, primarily representing people in the area of social assistance, meaning all issues related to welfare—what's now Ontario Works—and, in particular, representing persons who have applied for the Ontario disability support program.

I want to introduce my colleague Lisa Jamieson, who is from the Ottawa Canadian Mental Health Association. She'll be available to answer questions.

Essentially, we want to speak to you today about our constituents, the poor people of Ottawa, and in particular those who are required to access social assistance, either Ontario Works or ODSP. What I have seen in particular

over the years since the rates were reduced for Ontario Works is really a dramatic difference in that clients coming into the office are hungry; they're not eating. I think it's important to raise that. They absolutely must rely on the food banks and the different meal programs on a regular basis, so they're in very straitened circumstances. With parents, certainly the way they cope is that they go without meals themselves so their children do not, and that's a significant change since 1995. The rates were not stellar, but I think people managed much better.

In the paper I've given you, I just wanted to illustrate this by pointing out in particular the shelter allowances and how inadequate those are, to show you what I think is a coming crisis. It's there already for persons on Ontario Works and it's coming for those on the disability program because we haven't had rate increases for the disability program in 10 years, and we've had cost-of-living increases over those years of about 18%. So where the shelter allowance, even on ODSP, was not going to cover the average cost of an apartment back in 1993, 1995, that is still the rate that prevails. I just gave you the average cost of apartments, one-bedroom, two-bedroom, from the Canadian Mortgage and Housing Corp for 2002 to show you that the average cost in Ottawa is far above the shelter allowance that is payable under the disability support program and is completely prohibitive to someone on welfare.

We know that probably the majority of persons, if they're not in subsidized housing, if they're on Ontario Works, are paying a very high percentage of their assistance for shelter, and that is becoming more and more the case for persons on disability support. So with that program intended to provide more adequately because of the additional costs of disabilities, that is really being eroded by the rise in rental costs. We know that the rate of evictions is increasing; people can't afford the apartments. They're being evicted because they can't pay their rent, and then because of vacancy decontrol, of course the landlords can raise the rent. There's also the built-in annual increase. Every year that outpaces the shelter allowances. Increasingly I'm talking to persons who are on the higher rate of assistance but their rents are \$600, \$700 and their total income is \$930. So it's happening.

We feel that it is really critical at this point to stop that erosion. Certainly we'd love to see increases in the rates, significant increases, but at the very least we think it's important to build in a cost-of-living increase that in some way keeps pace and prevents falling further behind.

The second issue we wanted to talk to you about is the way the disability support program operates and what has resulted from the way the adjudications are conducted. From the moment that the ODSP came into effect there was a very high number of applications and a very high denial rate. Consistently year to year, the disability adjudication unit denies half of the applications. That means there is a very large number of people having to appeal. That created a big demand on the legal clinics across the province and we had to, in our clinic, certainly the one I work in, double the resources that we were

committing to these appeals. There was a very striking change. There's an internal appeal level but only 11% of people are granted at that point. So the largest number must proceed to the tribunal to succeed. The interesting contrast is that though there's a very high denial rate at the application stage, there's a very high success rate on appeals, and we're presenting the same evidence at the tribunal. It raises the question: why is that happening? It forces persons who have real disabilities, who are vulnerable—their personal resources are very stressed. They have to have the tenacity to go through being actually denied by letter twice, get a legal representative and persevere for a year before they will get a decision from the tribunal and see benefits.

1510

Our experience before the tribunal is that we have an extremely high success rate in Ottawa, certainly in excess of 80%. So our advice to clients is always, "You'll almost certainly be denied ODSP. We'll appeal and you will likely win, so take heart. Once you get to the appeals stage, you have hope."

We've been seeing trends. We think the problem is really with the decision-making at the disability adjudication unit. They really seem to be digging in their heels more and more, not accepting doctors' opinions. In particular, if it's a family physician who has submitted the applications, they will deny because there is no specialist opinion, even though the family physician may have treated this person for 10 or 20 years and is obviously in the best position to describe the impact of the disability. So because of that approach of distrust in the opinion of the primary care physician and requiring more specialist opinion, that requires representatives to get more specialist opinions and assessments, and it's expensive. Our disbursements costs tripled from 1998 to 2001. That happened across the clinic system, so that Legal Aid Ontario last year said, "Whoa, we've got a problem here," and they've put a cap on our disbursements.

Essentially we're having to spend that money because the disability adjudication unit ignores the evidence that is in front of them. They do that in particular with mental illnesses. So if a family physician says this person has a serious mental illness, the application is denied because there's no psychiatric opinion. The problem with that is that it doesn't take account of the reality in our communities, which is that psychiatrists are not available to most people. Family physicians are treating persons with mental illness, as are social workers and counsellors in community agencies. So they're not looking at what the reality is in our communities, and as I say, they disregard the opinion of family physicians.

It used to be that if there was no psychiatric opinion, we would request an assessment by a psychiatrist, send in that report, and the DAU used to grant the person. After a while, they decided no. Now they say, "This report was requested by a legal representative. It's therefore of no value." They don't even comment on the content most of

the time. So we have to proceed to an appeal and we generally win the appeal.

So you have this specialist medicalization approach requiring a lot of resources to go into more and more medical evidence, which means a lot of physicians' time. Family physicians are filling out applications that are extremely complex. They take a lot of time to fill out and they get a grand total of \$70 for two of these that probably take at least an hour. They then receive a request from the legal clinic for a detailed report. Then we go back to them with the DAU's decision and say, "What do you think of that?" We're still denied and still go to an appeal.

The doctors are just inundated with these requests for medical reports, and I want you to know about that. I think that it's a serious problem for our scarce health resources and we want to ask you to consider whether that's a wise expenditure of our money. The ODSP was announced with great pride as being a big improvement for persons with disabilities and it is designed to effectively serve those persons. From our point of view and those persons caught in that system, it is not effective.

What has happened, of course, is we have a tribunal whose appeals load is overwhelmingly these disability issues; the same in the clinics: it's now 72% or more of our caseload. So we're limited in being able to represent people on other issues. It's clearly a big need in our community. We've had to come to the conclusion that this is happening because the disability adjudication unit is trained to deny applications. It's very evident in their adjudication summaries. They selectively leave out doctors' comments about a substantial problem; they focus on any tiny comment and they ignore very significant parts of the opinions. We think that's a culture that ought to change and that they should be relying more on the expertise of the physicians and on their integrity and giving appropriate weight to reports that address the issue squarely.

Those are my comments. Thank you very much.

The Chair: We have a little over a minute per caucus. The government side first.

Mr Sampson: I think we heard this in London, and my comment or question then was the same as to you. There are a number of disability assessment systems, if you will. There's the one that you just talked about; there's one for private disability insurance; there's auto insurance; the DAC system is one; there's one for workers' comp. Everyone does it differently. It seems to me that it's not very well coordinated, but they're actually trying to assess the same thing, and the problems are the same. The people making the eventual decisions are generally not health practitioners, so you have case file after case file being built on both sides of the equation—are you or are you not disabled?—by various practitioners.

There needs to be a way to simplify this, I think is your message, and I would agree with you. I'm not too sure how it is that you do this, whether you adopt one system or the other, or you try to merge them all together.

But they're all trying to do the same thing: assess the nature of a disability and the extent of disability. We need to find a smarter way to do that somehow. I would agree with you that the current one just doesn't seem to be doing it right.

The Chair: Did you have a response before we move on?

Ms Hueston: I think what we're looking for is reasonable decisions. I was at a hearing this morning with a man who had his leg amputated below the knee in 1998 and his left foot reconstructed. He has had continuous problems. He was accepted for ODSP in 1998; they reassessed him and the decision was, "You are no longer a person with a disability." He replied, "I look down, and my leg is not there, and I don't think it's going to grow back." I'm sure we're going to win that appeal. The family physician wrote a very strong letter. There was no comment about the content from the adjudication unit. There needs to be a reasoned adjudication. I think that's offensive to everybody.

The Chair: We move to the official opposition.

Mr Patten: Is Al Rosen the supervisor of this? The adjudication unit—who are these people?

Ms Hueston: I don't know. They're number 20 and number 39. They're not doctors, as far as I know.

Mr Patten: Are they professional social workers or appointees or what?

Ms Hueston: I have no idea. We hear rumours; we don't know. We know there's a doctor at the head of the disability adjudication unit. Their qualifications are not specified on these summaries. We can address that in an appeal, but we think there's a culture there that is biased in favour of skepticism. We can understand that in many cases it's uncertain, but where the evidence is very definite—

Mr Patten: There's a stringency that—

The Chair: Thank you, sir. We have a very short time. Sorry, Mr Christopherson.

Mr Christopherson: Thank you for your presentation. I would say to you without any hesitancy that if you had appeal rates upwards of 80%—

Ms Hueston: That's our experience in Ottawa.

Mr Christopherson: And we had similar presentations, as Mr Sampson pointed out. You mentioned just the application forms are very complex. We were told that the paperwork has increased five- or sixfold since its inception. I would just say to you that if you were a corporation coming in here, then you would have got the attention of the government backbench make-work project known as the Red Tape Commission and this would have been straightened out a long time ago, I assure you. Because if any small business group came in here and said, "Look, on appeal we're winning these things eight out of 10 times," that would get fixed, and rightly so. Somehow, because it's on that side of our social equation, it doesn't seem to get addressed.

I don't know whether you have a response or not. As soon as I saw that, I thought, "If that was business stuff and they came in and said, 'Our paperwork has gone up

five times, and on appeal we win eight times out of 10,' that would get fixed pronto."

The Chair: Thank you, sir. Did you have a final comment in the last few seconds?

Ms Hueston: I think it's back to my point of asking you, is this a wise expenditure of our money?

Interjection: Good question.

The Chair: Thank you. I think we got the point. We appreciate your input today.

Our final presenter is the Alliance to End Homelessness in Ottawa. Is the presenter in the audience? They are not scheduled until 3:40, so at this point we have no choice but to recess until 3:40.

The committee recessed from 1522 to 1540.

The Chair: The meeting of the standing committee on finance and economic affairs will now come to order again.

ALLIANCE TO END HOMELESSNESS

The Chair: Our last presenter is the Alliance to End Homelessness in Ottawa. Please come forward and state your name clearly for the record. Welcome, and please proceed.

Ms Maura Volante: My name is Maura Volante. I'm the coordinator of the Alliance to End Homelessness in Ottawa.

The Alliance to End Homelessness exists to coordinate strategies and services to put an end to homelessness in Ottawa. Our number one goal is to promote more affordable housing, but we also recognize that varying kinds of support are needed for people to keep housing: to prevent becoming homeless in the first place, to stay in housing once they have found it and to use that base to move ahead with personal and financial goals and dreams.

Our vision statement illustrates very clearly the breadth of the task that confronts our community in ending homelessness. The Alliance to End Homelessness envisions an inclusive community that takes responsibility for ending homelessness by ensuring that everyone has the right and support to define, access and sustain housing of their choice.

The key words in this statement are "right" and "support." Neither of these concepts drive the housing market now, and without direct involvement from the government, there is no way to ensure these basic building blocks to a healthy life. Therefore we advocate for the continuance and enlargement of programs that address both supply of housing and support services to help people maintain housing.

We believe there is a role for each level of government in this project, but within Confederation the province is directly responsible for housing and therefore must take the lead to weave this crucial thread back into the social safety net, to mend the gaping holes resulting from years of neglect.

Children: the fastest growing segment in the homeless population is now families. In Ottawa the current average

for shelter users on any given night is 961 people. Approximately 30% of these people are children. These numbers are alarming enough in themselves, but they only count children staying with their families in family shelters. The numbers are actually much higher. Some families stay temporarily with family members or friends, some are staying in transition houses for victims of familial abuse and many mothers find their children somewhere else to stay, such as a grandmother or another family member, when they lose the family home. All these children suffer the impacts of homelessness: emotional stress; obstacles to good, consistent parenting; and very often the effects of poverty—lack of basic nutrition and other material supports.

All levels of government have repeatedly assured the Canadian public that their prime commitment is to the children, who represent the future prosperity of this country. Reversing the Real Brain Drain, the final report of the Early Years Study by J. Fraser Mustard and Margaret McCain, makes it clear that Ontario children are not doing as well as they might. Graph after graph shows the clear correlation between health and achievement indicators and low family incomes.

In their argument for acting now to help young children overcome economic and social disadvantages, they write, "We can turn away from this challenge and hope that our helping systems (the schools, social and health services) will be able to cope, even though they tell us they are having increasing difficulty meeting the demand. We can hope that children will 'grow out of' behaviour and learning problems that were set in early life, even though evidence suggests that many of them will have great difficulty doing so and will not reach their full potential. We can put more money into policing and correctional systems and other special services, although that will be expensive and unlikely to make a big difference."

The authors of this report are speaking of children in low-income families generally. But the negative impacts of homelessness compound the problems of low-income families. As a result of this report, the government of Ontario has set up a network of Early Years centres, and we applaud this. But no supplemental program can replace a stable home environment for the growth and development of healthy children.

Jane Jensen writes in *Housing is a Children's Issue*, "Poor housing means poor health. It is more likely to harbour mould, lead, and asbestos, all of which contribute to high rates of respiratory disease. Dust mites and cockroaches increase the risk of asthma. We know lead is associated with neuro-behavioural disorders. And lead is more readily absorbed by children suffering from poor nutrition, common among those who are poorly housed.

"Crowded housing, where several families share a unit meant for one, can subvert the positive effects of investment in pre-school programs. There is, for example, no space or quiet time for reading to pre-school children—the kind of nurturing that studies of brain development teach us is crucial to school readiness by age 6. Crowding

also makes it difficult for school-aged children and their parents to ensure that homework gets done.

"And the lack of affordable housing means children are going hungry. A major reason families give for using a food bank is that, once the rent is paid, there is not enough money for food. Poor nutrition affects health and school achievement. And there is certainly not enough money for the recreational and cultural activities so important to social engagement and health.

"Parents who struggle to pay the rent are parents who are working long hours, stressed by time crunch and anxiety. They may be parents living in constant fear of homelessness, one bad month away from eviction. We know the consequences of stress for good parenting."

The CMHC has undertaken a study of family homelessness in Canada, which is not yet complete, but its preliminary findings point to a long list of negative impacts of homelessness on children: disruption of everyday living patterns, education, family relationships, personal development, social relationships, health, long-term emotional and behavioural issues.

While those interviewed agreed that service agencies are working hard to help these families, most respondents said that homeless families' needs are not being adequately met by available services. They list the following as gaps in services noted by respondents: safe and affordable housing, ethnocultural-specific services, coordination of access to services, enhanced health services, mental health services, services for families with boys over 12, prevention, support for communities and emergency facilities for families if not victims of abuse.

These responses show the range of solutions to family homelessness, including specific kinds of social services, but the number one solution is safe and affordable housing. This is also the number one goal of the Alliance to End Homelessness. Until the issue of supply of affordable housing is addressed by the provincial government, all the social supports that are humanly possible will not end homelessness.

The need for a huge increase in affordable rental housing stock is undeniable. According to estimates by the Centre for Urban and Community Studies at the University of Toronto, Ontario needs about 18,000 new rental units annually over the next 20 years. This figure is based on Ontario Ministry of Finance population projections.

The province suffered a net loss of 7,413 private rental units between 1991 and 2001. This loss has been the result of demolitions and conversions to ownership of 24,298 units, while only 16,855 new units were built.

The vacancy rate increases reported last fall by the CMHC do not tell the whole story, because the units that sit vacant are unaffordable to low-income tenants. Average rents in Ottawa have increased by 25% from 1995 to 2001. Currently the Ontario Rental Housing Tribunal has 120 applications for above-guideline rent increases, covering 12,910 apartments in the city of Ottawa.

I'd like to turn to the affordable housing program. The affordable housing program announced in December will

not address the need across Ontario for affordable housing for individuals and families currently in shelters, doubling up with friends and relatives or staying in inadequate accommodation that takes a major portion of their total incomes. There are several serious flaws in the program that could have been avoided with better consultation prior to its design.

1550

Inadequate provincial contribution: the original idea in the framework agreement of 2001 was to subsidize the building of rental housing with matching federal and provincial contributions of \$25,000 per unit, for a total of \$50,000 per unit. Under the new program, the federal government is still expected to contribute \$25,000 per unit, but outside of an Ontario contribution of \$2,000 per unit, developers must secure matching funds, not from the government of Ontario, but from the municipality and other sources. This does not indicate support for affordable housing by the government of Ontario.

Non-affordability: by using the CMHC average rent as the ceiling for affordability, the provincial program is guaranteed to fail in providing affordable housing to people who are homeless and at risk of homelessness. Average rents in Ottawa are prohibitively expensive for low-income people, whether in low-paying jobs or on pensions or government assistance.

Time limit for affordability: the homelessness crisis is not going to disappear on its own, nor will people who need affordable housing disappear in 15 years. To place a time limit on affordability for the units subsidized under the affordable housing program does not house the citizens but, instead, provides profit for the developers.

Shelter allowance: the provincial government is not only responsible for housing, but also for the provision of financial assistance to those in need, including thousands of children growing up in poverty. The level of that financial support is also a key factor in addressing the crisis of homelessness. As long as the OW shelter rates remain at their current low levels, no one living in private rental housing can avoid using a significant portion of their support allowance to pay their rent. This is difficult enough for single people trying to make \$325 stretch to cover rent for a room, let alone an apartment, but for families it is completely impossible to find private rentals in the one-, two- or three-bedroom range that come anywhere close to the shelter allowance for families with one, two or more children. Try paying the average rent for a two-bedroom apartment in Ottawa—\$939—while your shelter allowance as a single parent is \$554.

As noted earlier, the lack of affordable housing is the key factor in family homelessness. In addition to increasing the supply of rental housing at reasonable rents, the government of Ontario can help to ease family homelessness by increasing the shelter portion of OW payments. We call for shelter allowances indexed to the CMHC average rents in each specific municipality.

Reweaving the net: Ontario is the richest province in one of the richest nations in the world and is therefore in a position to set an example to the world of a caring and

humane jurisdiction. It is a disgrace that under the current government the poor have become poorer and the homelessness crisis has been allowed to worsen, especially as the economic indicators in the province continue to rise.

Not only is helping people solve their housing problems the right thing to do as a caring society, it also makes good economic sense to invest tax dollars in ending homelessness. The consequences of allowing the crisis to deepen are much more expensive in the long run. It will be much more cost-effective to mend the social safety net now than to continually retrieve the lost ones who fall out the holes. Please join the Alliance to End Homelessness in its vision of a society in which each citizen has a home of his or her choice. Thank you.

The Chair: Thank you, Ms Volante. We have about a minute and a half each. We begin with the official opposition.

Mr Patten: Thank you very much for joining us today. I see you continue to advocate the perceived constitutional responsibilities of the province in the field of housing.

Ms Volante: Yes.

Mr Patten: We do have a minister called the Minister of Municipal Affairs and Housing. Unfortunately, the housing side is quite bankrupt, because there is very little the government does do. It has operated on the theory that if you just leave everything alone, the private sector will take care of building all the housing that we need and this will be the best for everyone—the trickle-down theory of development. It doesn't work in any society that I'm aware of, and we are probably one of the worst in the western world. I don't just say that provincially; I'm saying it federally and provincially, although the feds put more on the table than we do provincially. But the province has passed on its responsibilities to the municipalities—unfortunately, because I deal with this every day as an MPP, and I'm sure each of the members does. I think everyone here would share your objectives. Nobody wants to see anybody homeless. We're talking about how we address it. We have a different view than the government has. What would you recommend to them right now for providing the supply of housing?

Ms Volante: If they're going to pass on the responsibility for housing to the municipalities, I would like them to pass on both the power to design the programs and the money to do it, because right now the municipalities don't have enough money.

The Chair: Thank you. We move to the NDP.

Mr Christopherson: Thank you for your presentation. I was in the House the day that former Municipal Affairs and Housing Minister Al Leach stood up and said—I'm paraphrasing—that his government was now totally withdrawing from the building and provision of housing, and that he was proud of the fact that his government was doing that. That was the last nail in the coffin. As you probably know, under the previous government, we were the last province, the last jurisdiction in North America, to provide affordable housing directly so it would be there for generations. Al Leach promised

that his reform and red tape cutting and all the other tax cuts and all of that were going to stimulate the private sector—we all know the mantra—and it was going to produce all the housing that we needed. It didn't.

Ms Volante: It didn't.

Mr Christopherson: It didn't. We have a bigger crisis now than we've ever had in our history. We have more kids in poverty. We have all kinds of social upheaval. A certain few have done very well. The rich have gotten a lot richer with this crowd, but the people who were promised affordable housing didn't get it.

The only question I would have for you is that a couple of times now the 15 years has come up. Can you just explain to me what that is?

Ms Volante: The affordable housing program stipulates that rental housing built under the subsidy remain affordable for a minimum of 15 years. They are allowed to set the rents at whatever they want after 15 years.

The Chair: Thank you. Mr Beaubien on the government side.

Mr Beaubien: Thank you very much for your presentation. At 1:40 we were given a presentation by a group that felt the federal, provincial and municipal governments had a responsibility with regard to providing affordable housing. However, I want to make a statement here, because after two weeks of hearings I haven't heard from the typical constituents in my constituency. I'll give you an example of a guy who makes \$27,000 a year, has a wife, two kids, an old house that he has bought and an old car; a stay-at-home mom looks after the kids. He probably pays \$5,000 to \$6,000 in taxes. According to the figures we were given by the previous presenter, under the ODSP a single parent with two children under 13 receives \$1,589. That works out to about \$529 per person. If I do the math, the young constituent in my riding making \$27,000 with his wife and two kids is probably making \$21,000 in net income. If I divide that by four, that's \$525. Where is the representative for that individual?

Ms Volante: I believe that everyone has a right to housing, but certainly those people you're speaking of somehow managed to get the money for a down payment and they bought a house. They are more fortunate than many people who will never have the money, the capital, that is necessary to pull together a down payment, particularly in the city of Ottawa.

The Chair: Thank you, Ms Volante. We appreciate your input.

That concludes the road trip of this committee this week.

Mr Sampson: On a point of order, Chair: I just want to put a couple of things on the record. One, I want to congratulate you and thank you and the clerk for the work you've done over the last week. The week before, of course, was in Toronto. This week, with the various tours we've done, it has been very efficiently managed. We've been able to get to our scheduled appointments on time, no matter what the weather was. They have provided supports to us as we go through this process.

You've done an admirable job. I want to put on record that they have done that and, on behalf of certainly this side of the committee, thank them for that effort.

The Chair: Thank you to the clerk and the staff. I applaud that.

Mr Christopherson: I would like the record to show that I think the two other opposition parties would join in that. Well done. A great job. Thank you. You made it a lot easier. Highly sophisticated too.

The Chair: That being said, as was agreed by the subcommittee and authorized by the full committee, the research officer will provide a summary of the presentations to the committee members in the week of February 10—that's not necessarily on the Monday but that week. The research officer will provide a draft report to committee members for their consideration by noon Monday, February 17. The committee will meet under the authorization of the Legislative Assembly on Thursday, February 20 for report writing.

I would say to the public that the deadline for dissenting opinions—actually the opposition parties—if any, is Tuesday, February 25 at 5 pm.

For public consumption, the deadline for written submissions is today at 5 o'clock, if anyone has not had a chance to appear directly.

Mr Sampson: On another point of order, Chair: I believe yesterday we asked the research officers to do two other items. Dave, can you remember what they were? One was around the roads—

Mr Larry Johnston: Federal obligations for the Trans-Canada Highway, and grow north bonds.

The Chair: Grow north bonds, is that correct?

Mr Sampson: Well, the Manitoba thing. Grow Bonds North.

The Chair: And the federal contribution to the highway system.

Mr Christopherson: Maybe Larry can send that out to us ahead of time. Once you've got it, you'll just fire it out?

Mr Johnston: Yes.

The Chair: Is there any other business? Then this committee will adjourn to Thursday, February 20, at Queen's Park.

The committee adjourned at 1602.

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Assemblée législative de l'Ontario

Troisième session, 37^e législature

Official Report of Debates (Hansard)

Thursday 20 February 2003

Journal des débats (Hansard)

Jeudi 20 février 2003

Standing committee on finance and economic affairs

Pre-budget consultations

Comité permanent des finances et des affaires économiques

Consultations prébudgétaires



Chair: Joseph Spina
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Thursday 20 February 2003

Jeudi 20 février 2003

The committee met at 1001 in committee room 1.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Joseph Spina): The meeting of the standing committee on finance and economic affairs will come to order. Good morning and welcome.

I want to take this opportunity to remind all members that the House may consider it to be a breach of its privileges to release a report or any information about a report prior to its presentation to the House. The rule of confidentiality remains in effect even if the committee discussed and adopted the report in a meeting open to the public. Apparently that's part of the ruling of the Legislature.

We have a couple of procedural rules to iron out this morning. There was some discussion about whether or not you would want to have this session as a closed session or as an open session. If we want to have it as a closed session, then I need a motion to make it a closed session and then of course that would require a vote.

Mr Ted Arnott (Waterloo-Wellington): I'm just asking about past practice, because this committee is well established and we've been doing public hearings for many years. What has normally been the procedure in previous years?

The Chair: In the past five years all the meetings were open sessions.

Mr Monte Kwinter (York Centre): When the decision was made to make these open sessions, which I have no problem with, I raised the issue at the time. You've just outlined the problem. It seems to me an absurdity to say that to release any information on this draft report is a breach of confidentiality for the Legislature whereas anybody can walk in the door, sit here, listen to it—

Interjection: And they can do what we can't.

Mr Kwinter: —and they can do what we can't. It just doesn't make any sense to me that that would happen. I have no problem, but I just feel that when you put out that caution—why would you put out that caution when it makes no sense? Anybody who wants to can walk in and sit down—these are open sessions—and they can go out and report and say, "I listened to this and here's what they're saying." I just wanted to raise that again. I raised it at the time, but the decision was that we would leave these open. As I say, I have no problem one way or the other; I just feel that there's a contradiction with what the rules of the House are.

The Chair: It's my understanding, from the way the rules are stated, and I'll phrase—the specific word is that the House "may" consider it to be a breach of its privileges. So I can only surmise that what that means is, if there was some ramification as a result of the release of this information, that the Speaker may choose to rule that there has been a breach. That's the best we can give you, Mr Kwinter.

Mr Kwinter: I would say, given that warning that it may be, why would any prudent committee possibly put themselves in jeopardy's way by doing it? Why would you just not say, "If that could happen, let's make sure it doesn't happen"? It just doesn't make any sense. Anyway, I leave it in your hands and in the hands of the committee.

The Chair: OK. Is there any other comment?

Mr Marcel Beaubien (Lambton-Kent-Middlesex): The only comment or question that I have is, I just assumed that the meeting would be open. You mentioned a closed meeting. Did somebody request that the meeting be closed?

The Chair: It was really a passing comment. Because it was a passing comment during our travels, we brought this forward. There were some who expressed, because of the frustration last year in not being able to present a report back to the House with recommendations, that it might be easier to have a closed session; therefore, we would be able to have recommendations.

Mr Rob Sampson (Mississauga Centre): I actually am somewhat sympathetic to Mr Kwinter's assessment of the situation. Our dilemma is perhaps somewhat lessened, depending on the nature of the report, I would suggest. If we proceed on the lines of the draft report that's before us, I can probably guess that it's unlikely to be perceived by reasonable people to be a violation of privilege, since it's simply a recording of what we've heard publicly anyhow. But if the nature of the report should change dramatically, then I think it would be wise for the committee to reconsider whether it should go in camera or not. So at this point in time, if the report we're considering is the one that's before us, while I understand Mr Kwinter's dilemma and I am sympathetic to it, to use a phrase that's coming out frequently lately, I will bow down to the tradition of the committee in the past and leave it open.

Mr Gerry Phillips (Scarborough-Agincourt): I prefer to do whatever we can in public. It seems to me

that last year the committee's report was in public. I think we moved into public right away. I'd prefer to do that. I don't think there's anything we're going to deal with that's going to affect the markets or anything else. It does point out, probably, the need to revisit the rules of the Legislature, as part of a bigger package, to say, "Listen, if we want to do the maximum amount of business in public, we're going to have to make some changes in the rules." But I'm always uncomfortable trying to do business in private that has no real reason to be done in private.

The Chair: If I may explain, the committee will still be conducted according to the rules of the committee. The difference in a closed session is that the only two people, I guess, who are allowed to be in the room would be the clerk and the research officer; is that correct? Essentially, what we are doing is removing Hansard and the electronic recording of the committee. This is just for clarification. It's not that I'm pushing for that or anything, but that's all it is, really.

Mr John O'Toole (Durham): Having sat on the committee, and Mr Beaubien having chaired it, first, I question who specifically brought that issue up. The general tone—I sat through all of the meetings. I heard nothing different than I've heard in the previous two years. Unless someone specifically has brought it up, like Mr Phillips I believe they have always been open and I would support that they continue to be open. I'm wondering where the debate's coming from, I really am, because substantively, every one of the submissions is public and every one of the submissions is basically what this is the synthesis of. So I'm wondering who protracted this debate. Is there a specific request from someone about privacy or being in camera—there isn't?

The Chair: I can't tell you that.

Mr O'Toole: I think you should call the vote and deal with it.

The Chair: Actually, there's not necessarily a vote to be called, because if no one really feels that we have to go in closed session, then there's no motion to vote upon.

So the matter is at rest; we stay as an open session. Is that correct? Thank you.

Mr Christopherson, welcome, and just to inform you, we have decided not to go into closed session.

Mr David Christopherson (Hamilton West): That's funny. I was going to ask why we go in camera on these things.

The Chair: It's OK. We've hashed it out.

I would ask for a clarification, because when the subcommittee met and agreed upon the time of the meeting, we had generally agreed that they would be 10 to 12 and 1 to 4 for all the hearing days. However, in the subcommittee report it just says that the committee will meet on Thursday, February 20, for report writing, without any times. Did you have a preference for times today, other than starting at 10 o'clock? And I would need a motion to do that.

1010

Mr Phillips: I move that we proceed on the assumption that we'll go from 10 to 12 and 1 to 4 and complete our work at 4 o'clock.

The Chair: Is there any other comment on that motion?

Mr Phillips: Or earlier, I guess I should say.

Mr Sampson: I agree with Gerry. We should start earlier.

Mr Phillips: I mean, it said complete at 4 or earlier.

The Chair: So you have a motion for 10 to 12 and 1 to 4?

Mr Phillips: Yes.

The Chair: Is there any other comment on that? All in favour? Opposed? Carried. Today's session will go from 10 to 12 and 1 to 4.

Standing order 129 pertains to reports of the committee, and this may help clarify the type of report acceptable to the House. There are five different ways but, traditionally, without getting into this too deeply and wasting too much time, essentially, "The report of a standing ... committee is ... determined by the committee as a whole or a majority...." That's understood, I think.

"No minority report may be presented to or received by the House."

As you know, "Every member of the committee ... shall be permitted to indicate that he or she dissents from a particular recommendation or comment. The committee shall permit a member to express the reasons for" these dissents "in an appendix to the report."

"The Chair of a committee may establish a reasonable deadline for filing any dissenting opinion...."

In this case, it was agreed upon by the committee that it would be Tuesday, February 25, at 5 pm.

"The report as agreed to shall be signed by" me, "on behalf of the committee, and shall be presented to the House by the Chair or by another member of the committee authorized by the Chair or the committee."

By the way, dissenting opinions should be related to the content of the report, just to remind you.

I thought the most expeditious way today, as was usual in the past, was to begin to address the report writing by referring to the draft report that has been put together by the research officers, and we would go through it. I think you've all received a copy; is that correct? We would begin to go through it section by section.

Mr Phillips: Just before you begin that, I had a comment I'd like to get on the record about the responses we got back from the ministry on some questions we raised. Is this the appropriate time to raise that, before we get into the report?

The Chair: Yes, I think so. On a point of order, yes.

Mr Phillips: I'll call it a point of order, then. Thank you.

Just to get my dissatisfaction with the responses from the ministry on the record, it's late in the day, with an election coming up and what not. But at the federal level, when their finance and economic committee meets, they

get detailed projections going out. You can see the revenues going out to 2007-08: revenues by personal income tax, corporate income tax, expense projections, all of that. We get one number. All we really have is a number that's now from June, and no other kind of forecast, although we're being asked by the minister to give her our advice on multi-year funding.

Be that as it may, I asked for an estimate of how much money would be forgone on the fair share health levy. They say, "Well, it's not available." But when you go back to the 1996 budget, for example, they have fair share health care levy, full-year impact: \$260 million. So when it's in their interest to share the information, they do it. When it's not in their interest, we don't get it. The third quarter ends at the end of December, and it's normal that the third-quarter results are published in January. Here we are in the middle of February and they won't provide that to us. The implications of funding the 4.3-cent cap are very crucial for our deliberations, and we don't have any estimate of what impact it has had on Ontario Power Generation.

So it's frustrating that this committee, in my opinion, is operating without what I regard as publicly important information that should be available to the public. But we're not going to get it, and I didn't want to let it go by that I'm just going to quietly acquiesce to that. Just as these meetings should be in public, I think the government and, dare I say, the bureaucracy have an obligation to provide this kind of information to the public in these pre-budget deliberations.

The Chair: Just to clarify, you were referring to the published documents of the federal budget and other provincial budgets, as opposed to the information provided by the ministry. I think they are two different things, only from the perspective that when the ministers, federally or provincially, prepare the published budget, it is a different item than the information they give us—not to say that the numbers are different. One is a published budget, which is really a political budget, as you know, versus what the ministry has prepared. I'm not disagreeing with you, Mr Phillips. I just wanted to distinguish between the two documents. Was there any other comment on this? Thank you; you're on the record for that.

Mr Phillips: Great; I feel a lot better.

Mr Sampson: Well, you look relieved, Gerry.

The Chair: Can we begin, then, with the introduction of the draft report? Are there any comments on the introductory paragraphs?

Mr Sampson: I'm sorry, Mr Chair, to break with your tradition. I'm prepared to go paragraph by paragraph, but I just have one general question, because something caught my eye as I was looking through the written submissions. Can I speak to that one now? I don't actually know where the comment from the written submission is in this report. Maybe if I get an answer to that question, I'll be much more comfortable with other sections as we go by them.

The Chair: OK. Ask that of the legislative officer.

Mr Sampson: We had a written submission from SWITCH Kingston's Alternative Energy Cluster. It's actually referenced in the addendum, and it concerns some proposals they had for tax credits to encourage new generation and alternative energy—just as a summary. I'm sure I totally messed up their presentation, but that's the general thrust of it. Where would I see that in the report?

The Chair: Just give us a moment.

Mr Sampson: While the research people look, the reason I'm asking is that I just want to get some confidence that the long list of presenters here in very small letters on pages 20 to 26 is incorporated somewhere in bits and pieces in this report, because I think part of our job too for the minister is to report to her what we had heard.

The Chair: We'll let Mr Johnston or Ms Clark refer to it.

Mr Larry Johnston: If I may, I think perhaps part of the problem is that sometimes when we assess the recommendations, it's a question of deciding where in the report they belong. In this case, it would have been a decision whether it went into alternative energy or under other taxes in terms of dealing with a tax credit. It may be that in this case it fell through the cracks and didn't end up in either. If it's an omission that the committee would like to have rectified, we can certainly add that.

1020

Mr Sampson: I would.

Mr Johnston: I would say that in the report we try to capture the overall tenor of the recommendations that are brought to the committee, and that's why there's a difference between the summary, which is some 50 pages of recommendations, and the report, which is distilled to 18 and a half pages. There are likely to be cases where maybe we have not included a recommendation the committee wishes to have included, and we will simply take direction on that.

Mr Sampson: You guys have done a tremendous job to take what is probably about three feet of paper and boil it down to 18 pages. As I read through the SWITCH report, I thought, "It will be interesting"—not that they all weren't—"to see how that shows up in the report," and when it didn't, I was concerned. I think it should. It deals with this particular proposal's view of how to get more green power and more power available to the grid. I thought that would be something the minister might be interested in hearing, in addition to other members of the executive council, and I would like to have it included in the report in some way.

The Chair: Mr Sampson, what I'll recommend is that when we get to the appropriate section, you may want to include it. As I see it, there are two sections you may want to consider, and you don't have to decide that right now. One would be under energy, page 11, or under environment, page 13. You can decide. In the meantime, what we can do is ask the research officers if they will have the opportunity to compile that recommendation for inclusion. Then, if we get to that part before lunch, we

may defer that section until after lunch simply to give the research officers sufficient time to get that prepared for you. Is that fair?

Mr Sampson: Yes. I don't think it needs to be a much more extensive report than what I just said in the first part of my comments, that it's a recommendation coming from some individuals. So I'll shut up and say I'm prepared to accept whatever you write.

A related question: is there some cross-referencing to this long list of presenters and what's included in the report to make sure we didn't have anybody else slip through the cracks?

The Chair: Other than the list you have at the end of the appendix, which has the witnesses and submissions—that's why we sit through these, so you can make some notes when something catches your ear or your eye, as it just has.

Mr Sampson: I'm prepared to take whatever the research officers can suggest as far as the included text. It really need be nothing more complex than saying a group suggested there were two tax routes to go to generate more power and green power, and please refer to their presentations for more detail.

Mr Johnston: Could I ask whether you'd prefer to see that under tax measures or under energy?

Mr O'Toole: Energy.

Mr Johnston: Alternative energy?

Mr Sampson: It's six of one and a half dozen of the other, to be quite blunt, but energy would be fine.

The Chair: Can we proceed to the introduction? Are there any comments on the three introductory paragraphs?

Mr Christopherson: It's more the way the sentence is structured, and not a big issue. In the second sentence of the second-last paragraph—"In the third quarter," and I assume we're talking current, "real GDP rose by 3.9% and over 1 million jobs have been created since September 1995."—I just wondered if there was a disconnect between those two points.

The Chair: What section are you in, David?

Interjection: He's in the next section.

The Chair: We're just looking at the three introductory paragraphs above economy.

Mr Christopherson: Oh. I'm two paragraphs ahead of you. Sorry.

The Chair: Thank you.

Interjections.

Mr Christopherson: That's the way it should be. I'm glad you realized it.

The Chair: We'll save that for the next section. Are there any comments on the three introductory paragraphs? Do I have a motion to accept those three paragraphs? Opposed? Carried.

Now we move to the section on the economy. Mr Christopherson.

Mr Christopherson: I won't repeat my point, Chair. It's there.

The Chair: It was paragraph 2?

Mr Christopherson: Yes, the second sentence. I just thought one is dealing with the immediate fiscal, and then, in the balance of the same subject, sort of out of nowhere, suddenly we say, "one million jobs have been created since ... 1995." I just wondered, in that, what would be the salient point between the two? They just don't seem to connect in my mind. We go from third quarter results to, "Oh, by the way, in eight years here's what's happened," and no period in between.

Ms Heidi Clark: If I could just address that: I was trying to paint a general picture of the economy in that paragraph, and from the numbers that were provided, that was the number that seemed most relevant, as far as job creation, to speak to it. If you'd like it changed to an annual—

Mr Christopherson: I'm sorry. No, maybe I'm just not understanding. It says, "In the third quarter," which is very specific, very micro. We're talking about the third quarter of this fiscal, and then, with only an "and," suddenly we jump to "one million jobs have been created since September 1995." I wonder how the two are connected.

The Chair: Do you have a recommendation as to how you'd like to rectify that?

Mr Christopherson: One is GDP and the other one is new jobs—same sentence, two different time periods.

Mr Johnston: I suspect what's happened here is that a statement by a presenter has been boiled down and, in the editing process, a presenter who made a comment about third quarter economic growth, about job creation and perhaps about something else has become boiled down to a single sentence which, you're correct, does seem to have a bit of a disconnect. We can address that.

Mr Christopherson: Yes, that's all. It's a very minor thing that just jumped out at me when I read it. Thank you, Chair.

Mr Sampson: Your third paragraph—I must have a different report than his.

The Chair: It is the second paragraph under Economic Outlook, and it is the second sentence in that second paragraph, beginning, "In the third quarter, real GDP rose by 3.9% and over one million jobs have been created...." Mr Christopherson feels there is a—I'm not getting the right word here.

Mr Christopherson: Disconnect.

The Chair: Thank you. That's the word. There's a disconnect between the two ideas.

Mr Johnston: If we were to put a full stop after "3.9%" and have the statement about job creation as a separate statement, it would then tie into the following statement.

Mr Christopherson: Yes, that would be fine. So, either fix it or help me understand what I'm missing. It's one of the two, so I'm fine with that.

The Chair: OK, so the sentence will end after "3.9%" and a new sentence will begin, "Over one million jobs have been created...."

Mr Christopherson: And drop "and," correct.

The Chair: Agreed?

Mr Beaubien: I agree with that. I want to raise another point.

The Chair: So that issue is agreed upon. Thank you.

Mr Beaubien: The issue I want to deal with is the presentation made by Buzz Hargrove. I think he made a very compelling presentation. There's no doubt—he mentioned that the industry is changing—that it is changing. He also mentioned, I think I wrote down a few things here, that if we're to maintain our standard of living, with all the social programs, we need to protect high-paying jobs; that the labour force realizes that there needs to be more flexibility in the workforce; that we're talking about a new rate for new employees.

The auto industry is such an important driving factor in Ontario. Mr Hargrove was talking about the federal, the provincial, the municipal, and all the workforce having a role to play in protecting this industry. I don't think it's captured here. My feeling is that it should be captured in the economic outlook. I think we are facing different times in the auto industry and maybe we have to deal with it differently. That's just for discussion, I guess.

Mr Sampson: I think we should capture Buzz too.

Mr Johnston: Could I ask if Mr Beaubien is happy with the treatment of the auto industry under the enterprise, opportunity and innovation section?

Mr Beaubien: Which page is that on?

Mr Johnston: That's on page 12.

Mr Beaubien: I might have missed that.

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Mr Arnott: There are two reports: one dated February 17 and one dated February 12.

Mr Johnston: The report dated the 12th is a summary of recommendations; the 17th is the report.

Mr Beaubien: I guess you're correct. I will take my comments back.

Mr Johnston: It's just a question of whether you wanted it moved from there into the economic outlook.

Mr Beaubien: I'm quite happy with it.

The Chair: Did you want it in the economic outlook or is it fine where it is?

Mr Beaubien: That's fine, as long as it's captured somewhere.

The Chair: Thank you. Are there any other changes you wish to have made to the economic outlook section?

Mr Kwinter: At the top of page 2, in the second paragraph, when you talk about "estimated to fall slightly," I would just leave "estimated to fall" and take out the word "slightly." If you take a look at the numbers, it's going to fall 10% in 2003 and 15% in 2004. I don't think that's a slight reduction.

The Chair: Any further discussion on that? Agreed? OK, we will remove the word "slightly," Mr Kwinter.

Any other changes to this section? Seeing none, can I have a motion to move this section, as amended?

Mr Sampson: So moved.

The Chair: Any opposed? Carried.

We have the opportunity, as we finish each section, to ask if you want to make any specific recommendations as a result of the information that is in that section, and we

can debate and vote on that immediately as opposed to saving them all.

Mr Christopherson: That takes us right back to the eternal discussion we have at these committees every year, and that is, are we attempting to find a package, a document like this that we can stand behind, where we all sign on, and then there's a series of recommendations where it's clearly understood that's the majority vote, which obviously is the government position, and then there are two dissenting reports attached? If you start injecting the concept of recommendations at this stage, Chair, then any pretence of trying to work together is pretty much blown out the window. The government will make their recommendations and they'll win every vote and then we're just into a partisan divide. I just raise that with you on the heels of your offering to take recommendations at this time.

The Chair: I asked that because if there are any recommendations that there is some agreement with between the three parties, then at least we will have the opportunity to include those recommendations in the report. If we find there are no recommendations that there is any agreement with, then we may end up doing what we did last year.

Mr Christopherson: I just point out by way of comment that if we attempt to do that, then buckle up your seat belts, we're going to be here all day trying to come to an agreement on recommendations, which is a lot tougher than just a document that we agree reflects what we heard, because then we get into our different partisan philosophical approaches. So I urge members to keep that in mind.

Mr Sampson: To that point, two things: I think it would be helpful if this committee could present a unanimous report. To the extent that's possible, I think we should try to do it.

I got some sense as we travelled around and listened to the presentations that there was nodding on all sides of the room about some issues.

I don't know that we're informed enough to actually provide recommendations, to be quite blunt. I don't know that we are even informed—Mr Phillips on a number of occasions has indicated that he needs more information in certain areas of fiscal projections on certain items. I would say that we are equally in the dark about what the announcements were last Tuesday around the federal budget and its net implications on Ontario.

I think that to make recommendations in that information vacuum would probably not be very helpful to the minister. What might be helpful are areas where we have agreed the minister, in doing her budget, should make sure she takes a good look. I can think of one off the top of my head, and that was the credit union thing. I think we are all in agreement, if I can put words in my colleagues' mouths, that she should take a real serious look at their suggestions. Perhaps I'm going out on a limb, but maybe there's an equal resolution around the child tax credit thing that was presented. I'm going way out on a limb, I'm sure, but I think there is some reasonableness

to that which she should take a look at. Whether she chooses to do it or not in preparing her budget is her choice, of course. She's the finance minister. So my preference would be not to make recommendations but to soften the language a bit and perhaps speed the process toward maybe a unanimous report and talk about areas where we find some sympathy.

The Chair: I'm having difficulty understanding how you can do that without recommendations.

Mr Sampson: Why not? You can just say the minister should take a serious look at the credit unions' recommendation. We give more weight to it in the report than perhaps to others. That will generate discussion. There will be areas where we can't come to some conclusions, and I think we should so indicate.

Mr Phillips: In terms of process, what we've done in the past—it doesn't mean it's what we'll do today. But I think the report we're dealing with that's before us right now is a summary of what people have said. We don't have to agree, because it often presents two points of view and what not. I think in the end it will probably get unanimous consent. We will all agree that that's a good summary of what we heard.

Then what we've done in the past is that each caucus has brought forward its recommendations. We have a series of recommendations here, and I think the government will probably bring forward its recommendations. Realistically, because they tend to be a package, we will have difficulty with your package of recommendations, because we have a different view of how things should unfold. My instincts are that the government will approve its recommendations and we will choose not to approve that package and say, "Here's our package," which you, if history suggests anything, will choose not to approve. Then we will serve notice that we will be submitting—it's not a minority report.

The Chair: Dissenting.

Mr Phillips: A dissenting opinion. That's probably reality. So my own instincts are to say, as David Christopherson said, let's see if we can go through the summary of what we heard and agree on that, and then one suggestion is that each caucus table its recommendations and we simply vote on those.

The Chair: To allow time for that, may I offer the suggestion that that be done by a certain time in order to be able to conclude for 4, ie, 3 o'clock, for example?

Mr Phillips: My suggestion would be that over lunch the caucuses submit their recommendations so that we might have them first thing this afternoon.

Mr Sampson: I understand where you're coming from, Gerry, but I don't know how that helps. Obviously, at the end of the day you're going to submit your dissenting opinion. Is that the official phrase?

The Chair: No, they would table their recommendations.

Mr Sampson: Yes, but to the extent that it's not accepted by the government side, and it generally won't be, let's be realistic here: we're going to get it anyway and we're going to see it anyway. Why do we have to go

through the whole process this afternoon of debating the fact that we're not going to agree to it? We know it in the first instance.

I would rather that we spend some time adding items to this document that we actually can give a little bit more weight to. That would be my preference. We have, as I said earlier, a very good summary of what we heard, and I think it's important for us to relay that to the minister, since she wasn't there and she is basically expecting us to do that. I would like to add some other areas where we would say, "Look, in every jurisdiction, we saw the credit union come forward and say we should be doing this. Can you please take a look at that?"

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Mr Beaubien: I would have to support Mr Sampson's suggestion, because I think the researchers did a very good job of paraphrasing what we heard over a period of almost two weeks. It gives us a pretty good snapshot of what's occurring across the province in different sectors. Having gone through the report, there are a couple of things—I had raised one; I'm sorry that it was captured somewhere else and I didn't pick it up—that I would also like to raise. I think we can have a document that we may not be in total agreement with but that is palatable to most of the people around this room, yet giving the opposition the opportunity to file their dissenting reports as an addendum to the report. We've done that the past number of years, and it has worked very well. I fail to see what we stand to gain here this afternoon debating an NDP, Liberal or Conservative motion. If somebody has some recommendations or concerns, they can file them as an addendum and we get on with our lives.

The Chair: Any other comments?

Mr Christopherson: I tend to side with the Conservative caucus on this one in terms of what's going to give us the biggest bang for our time, if I can mix metaphors. I agree that at the end of the day, once we start injecting recommendations, then we're just going to fall very quickly into a partisan situation. That's why, if you recall, when we had the subcommittee meeting, we deliberately set up a time after we would have this discussion for the three different recommendations to be tabled. Now, I know by process the government's recommendations will be tabled today. Let me ask a question, if I can, Chair: do the committee's recommendations have to be voted on today as part of this package?

The Chair: If you want them to be part of the report that would be sent back to the House, yes. Otherwise, the only other opportunity, if I understand the process correctly, is that it's submitted as an appendix to the report by Tuesday the 25th, when it is submitted to the Clerk and then reported back to the House. Does that clarify it?

Mr Christopherson: I think the clerk is looking for a chance to—

The Chair: Yes, even the dissenting opinions are reported back to the House, but we only have today to debate and vote on it.

Mr Christopherson: My question is, if we only dealt with this, for instance—

The Chair: And there were no recommendations?

Mr Christopherson: Right, this becomes the committee report. Then, of the three documents, would the Conservative caucus recommendations be considered an attachment or part of the report?

The Chair: If it is not voted on and tabled during the committee time period, then it would have to be submitted as an addendum.

Mr Christopherson: So we do have a chance to have a unified vote around the report, with three separate sections coming after.

The Chair: Yes.

Mr Christopherson: It would seem to me that if that's doable, the way to achieve that is to spend the day on this report and follow through with the original decision, whereby each of us submits our recommendations after, they get attached and then the four pieces create everything that's tabled to the House.

The Chair: Mr Phillips is next. I think you had another comment, did you?

Mr Phillips: Well, it's just an unusual process, that's all. Normally this committee exists to provide pre-budget advice to the government and the minister, and normally that advice is what we think should be done. So it does undermine the credibility of the committee that we've not even tried to take a stand on recommendations, that we simply are providing summaries. I can live with it, but it's not the traditional way of legislative committees trying to provide collective advice to the government.

The Chair: If I may put a little bit of an historical perspective on this, last year we did exactly what Mr Christopherson described, where we had a majority agreement on the report itself and the summary of the presentations, with dissenting recommendations in the appendices. In the previous year, we had the pre-budget consultation of 2001 and we had motions or recommendations at the end, and there were nine recommendations, for example, that went through. Other pre-budget consultations historically have always had those as well. So it's a question of what the—

Mr Phillips: My memory is failing me. I don't remember the governing party ever submitting the dissenting report, but I may be wrong there.

The Chair: Last year was the only time they had the three appendices.

Mr Phillips: Oh, they did have the same report last year?

The Chair: Yes.

Mr Phillips: My memory is failing me.

The Chair: There was a government—

Interjection.

The Chair: Yes. Appendix B was the dissenting opinion of the Progressive Conservative members of the committee.

Mr Phillips: Good, thank you.

The Chair: Is there any further discussion on this? I will just ask the question at the end of each section. If there is nothing brought forward, then we'll just continue on. Is that fair, Mr Christopherson?

Mr Christopherson: Yes. Where are you right now?

The Chair: We are right at the end of the first section, which is the economy. We finished the economic outlook portion of that, so we are now on page 2 on the fiscal situation, there being no recommendations coming forward on that first section.

Fiscal situation: any changes or comments to that section? There being none, do I have agreement that we accept it as presented? Agreed.

The next section on fiscal policy and balanced budgets and debt reduction: any comment on those two paragraphs?

Mr Christopherson: Under fiscal policy, "The government was urged to continue to emphasize debt and tax reduction over spending and remain focused on fiscal competitiveness," end of issue, and then you move on to the next category. It seems to me that there were certainly individuals and representatives who came in and made that argument, but there were people who came in and made a converse argument. I have a bit of a problem letting that stand as the only thought, or suggesting that that was the only fiscal policy we heard and therefore this is a very straightforward assumption that we can then move on to the details of, as we break it down. I have a problem with that remaining as a reflection of the only thing we heard. It certainly was heard, but I would suggest to you that we heard ample presentations to the contrary. In fairness, it seems to me that should be reflected in this paragraph also.

Ms Clark: I guess if it makes sense, we can just remove that sentence and move it down under debt reduction and there won't be a statement under fiscal policy.

Mr Christopherson: Just make it as part of that one thought and the next—yes, that's fine. It's just if you leave it like this, it looks like that's our working assumption, and I accept that for some it is, but for others not.

The Chair: Any further comment on moving that sentence down into the balanced budgets and debt reduction paragraph? Agreed? Any opposed? Accepted. Then that sentence will be moved down under balanced budgets and debt reduction as the opening sentence, I'm presuming. Is that correct? OK.

Then if we continue on that same paragraph, "balanced budgets and debt reduction," are there any other comments or changes that you wish to have? Seeing none, shall we accept that paragraph as amended?

Mr Christopherson: Chair, just one.

The Chair: Oh, one moment. Mr Christopherson?

Mr Christopherson: On reflection, again, there was only one group. I don't want to get into splitting hairs over what constitutes—

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Mr O'Toole: Make it two.

Mr Christopherson: Can we put twice as many groups as we originally thought?

The Chair: "A few"?

Mr Christopherson: Well, just something to reflect that it was other than just one. Again, we could split hairs as to whether people explicitly said that or—

Mr O'Toole: Just put "Some argued." How's that?

Mr Christopherson: Yes. That's cool.

The Chair: So "one" we'll change to "some"?

Mr Christopherson: Yes. We added an "s" and changed the end.

The Chair: "Some groups argued"?

Mr Christopherson: Yes.

The Chair: Ms Clark, are you OK on that?

Mr Johnston: "Some argued"; is that what you would prefer?

Mr Christopherson: Yes.

The Chair: OK. "Some argued" as opposed to "One group." OK. That's agreed. Any other changes? Thank you. That's approved.

Government spending: any changes? Seeing none, shall we accept that?

Mr O'Toole: So moved.

The Chair: Thank you.

Under tax reductions, any comments? Seeing none, shall we accept that? Approve it? Thank you.

At the end of this section, are there recommendations that anyone chooses to make? Seeing none—

Mr Sampson: You won't get us into a fight, you mean? I'm game for one, but it looks like it's pretty close to 11 to me.

The Chair: You can put it forward if you wish.

Mr Sampson: Thank you, Chair. I will resist the temptation.

The Chair: OK, then, shall section I, titled the economy, carry, as amended? Carried.

We move to section II, "Ministry of Finance," taxes, and the paragraphs under that: capital tax, corporate taxation, municipal taxation, payroll taxes, personal income tax, property taxes, retail sales tax, tax administration and other taxes. Any changes?

Mr Sampson: I know I had tentatively agreed to put the switch thing in hydro. Is there a rule that says you can't have it in two spots? See, my problem is it's a capital tax suggestion.

Mr Johnston: We would normally put it in one spot rather than the other. I can tell you, looking at this particular issue, we had it in the recommendations in the summary under alternative energy, but when we looked at the substance, we thought we would move it to taxes. In shuffling it from my file to Heidi's file, it didn't get there. So we can put it in either place that you would like, but I don't think we would normally put it in both places. But if that's the committee's wish, we can do that. If you really want to put an emphasis on it, we can—

Mr Sampson: No, I'll wait till alternative energy. That will keep me focused until noon.

The Chair: So you will not be adding it to this section?

Mr Sampson: Yes.

Mr O'Toole: If I may, under the general definition in "taxes," the opening paragraph, it mentions a lot of the

strategies there. There'd be no problem, in a general sense, of mentioning it there, because you go farther down and talk about each of those. Do you understand? The opening paragraph.

Mr Johnston: Yes.

Mr O'Toole: You put in there "alternate fuel incentives," or whatever you want to call it. Actually, I didn't read the paper that Rob's referring to.

Mr Sampson: No, it's more generation than fuel.

Mr O'Toole: Having sat on the alternative fuels committee, I'm surprised we haven't got more in there too, really, or heard from more.

Mr Johnston: Would it be helpful if I read to the committee the wording that we've come up with to deal with Mr Sampson's concern about the group, and then you might decide where you wish to put it in the report?

Mr Sampson: Sure.

Mr Johnston: The wording that we have to suggest to you is, "Alternative energy advocates suggested tax measures be implemented that would encourage the development of alternative energy generation projects and investments."

Mr Sampson: Yes, that would be fine by me. "Alternative energy" is a broad definition, but that would be fine by me. As you read that, it sounds to me like it should be on the tax side. But it is really six of one, half a dozen of the other.

The Chair: Shall we add it to this section, then? Shall we add that statement to the taxes section?

Mr Sampson: Yes, under capital tax, I think, though.

The Chair: Under "Capital Tax"? Is that—

Interjection.

Mr Sampson: No, they were actually suggesting sort of a labour-sponsored fund—

Mr Christopherson: Yes, but they were saying "tax incentives," which could mean a whole host of tax measures. Capital tax, with the current campaign, is a separate issue.

Mr Sampson: I take your point.

The Chair: Do you want to defer it, then, Mr Sampson?

Mr Sampson: OK, we're back into the alternative energy category.

The Chair: All right. We'll defer that.

Mr Johnston: We could add a heading here under the tax section for alternative energy tax credits.

Mr Sampson: Let's get it over with now. Yes, that's fine.

The Chair: Is that agreeable? So the sentence shall be added in as a new subparagraph that would read—

Mr Johnston: "Alternative energy tax credit."

Mr Christopherson: Let's understand: we're giving it super-high priority by giving it its own category under taxes, but I'm comfortable with doing that, but let's just realize that is what we're doing, and so be it.

The Chair: Everyone is basically in agreement. They're comfortable with that, then. Any other comments on that? OK. Are there any other changes to the taxes section of this report?

Mr Christopherson: Just under municipal taxation: "The government was urged to resist demands from municipal governments for additional taxation ... or other revenue-raising capacity." There were contrary thoughts. There were those who were arguing that that's exactly what municipalities need, some new levers of revenue sources.

Interjection: Like Hamilton.

Mr Christopherson: Like Hamilton, sure. Either that or give us some money, but you've got to do something. We're dying out there. And then I have a second thought after that.

Mr Johnston: There is considerable discussion of provincial-municipal cost-sharing and the question of municipalities' views that they're not receiving adequate funding for services in the section under "Municipalities."

Mr Christopherson: Fair enough, but under the category of taxation where that's the thread, the only thought we have in here—if you picked this up you'd be under the impression that under taxation as a subject in and of itself vis-à-vis municipal taxation, the only thing we heard was, "Don't let municipalities do this," and I'm just suggesting that we heard from other people who said, "This is exactly what you need to do, or something like this."

Mr Johnston: What about the second paragraph under that heading?

Mr Christopherson: That's a different thought. I was going to raise that too, because there were contrary thoughts around there. I can go into that debate if you wish, Chair. On that second point, there were some who came in and gave examples of where they thought there was unreasonableness in some of them, especially the lot levies, development charges, and had examples of where it got rolled back by the OMB. But again, there were discussions around the fact that lot levies, development charges, need to reflect the actual costs of providing infrastructure for new surveys, so those rates need to reflect the actual costs so that all the other taxpayers in a municipality aren't constantly subsidizing the newer surveys, the newer growth areas.

It's just my own sense in reading this that it only reflected one thought. I don't disagree that we heard this. I did just want to point out that both cases, whether it's additional revenue sources for municipalities or whether development charges need to be high enough to reflect actual costs, were also heard in addition to these points of view—two points, two different points of view. I'm just making the argument that we did hear the converse, that there were those who argued the other way, and I'm just seeking that this document reflect that.

The Chair: Are there any other comments?

Mr Sampson: I think the last time we came to this we changed the "one" to "some." I'm wondering whether we'd go back to that same format, because he's right.

The Chair: As in "some urged the government"?

Mr Sampson: And some didn't. That's his point, and he's right.

Mr Christopherson: Whether you say "There were differing opinions" or "We heard both opinions," that's fine. The point is, it's not that you guys get "some" and I get "one."

Mr Beaubien: It depends on which "some" you get.

Mr Christopherson: Yes, some of a gun.

1100

The Chair: If you hold on a moment, maybe we can give research a moment to give you a recommended phrase.

Mr Christopherson: We can come back later, if you want, Chair.

Mr Johnston: How about something along the lines of, "The government heard competing views about the appropriateness of additional taxation authority or other revenue-raising capacity for municipal governments"?

Mr Christopherson: Yes.

The Chair: Does that eliminate—never mind, I'm not going to offer an opinion.

Mr Phillips: Don't go there, Joe.

The Chair: Everybody is agreed? Thank you very much. Are there any other—

Mr Christopherson: Sorry, what about my second point, though, in the second sentence?

The Chair: What was your second one, David?

Mr Christopherson: Again, I was pointing to the taxes, fees and charges. Those who are worried that they're excessive are covered here. Those who have concerns about subsidizing these costs through other areas of municipal revenue had that point of view come across too. I don't think it's as big as the previous point, but again to recognize that there are two viewpoints about charges. One is, "Don't overcharge me and I'm going to watch you like a hawk," and the other is, "Make sure that those charges are high enough to reflect the actual costs because otherwise I've got to pay for their brand new library and my immediate neighbourhood is 50 years old."

The Chair: Are you suggesting this as a modification to an existing sentence or a new sentence to encapsulate that thought?

Mr Christopherson: Again, it's just that business of making sure both points of view are reflected, Chair.

Mr Johnston: I'm trying to remember a specific recommendation to that effect. Help me think of a wording here.

The Chair: Do you recall who the presenters might have been who would have taken that point of view, David? Anybody from the municipal side?

Mr Christopherson: I can't remember where AMO was on that particular point, whether it was in their report.

The Chair: Could we maybe defer that particular point?

Mr Johnston: We could check Hansard over lunchtime.

The Chair: Yes, we can check Hansard over lunch and determine how and by whom that comment was made. That would clarify it for you and all of us.

Mr Christopherson: Thank you.

The Chair: So we shall defer the municipal taxation block until we hear back from research.

Are there any other comments in that taxation section?

Mr Sampson: While Gerry is out of the room, maybe we should do something about personal income tax. Would that—

Mr O'Toole: Or corporate taxes.

The Chair: Are there any other legitimate comments?

Mr Beaubien: Property taxes.

The Chair: What is your comment?

Mr Beaubien: The second paragraph included "specific requests." I think it was only in Thunder Bay that they talked about multi-residential and the residential tax rate, if I recall. But you did say "specific requests," so I guess that would capture that. I know there was one community; I think it was Thunder Bay.

The Chair: It might have been when you were arguing with the teachers.

Mr Beaubien: I can live with that. That's OK.

The Chair: You're all right with "specific requests"?

Mr Beaubien: Yes.

The Chair: OK. Is there any other comment for that taxation section? Seeing none, shall we accept that section with the exception of the municipal taxation portion?

Mr Christopherson: That's easy for you to say.

Mr Sampson: I don't want to make you say this again, Chair, but there seemed to be some unanimous nodding around here about the native gas retailers—

Mr Christopherson: It's coming up.

Mr Sampson: I thought we were tabling that whole section. No? OK. Give me a high sign when we come to that.

The Chair: So we're agreed, with the exception of municipal taxation, which we will defer until after lunch. Agreed? Thank you.

Mr Christopherson: Hang on. Are you now going to move to the retail sales tax?

The Chair: To the non-tax issues.

Mr Christopherson: OK, then Rob is right. I thought you were going through the individual: municipal, then payroll—

Mr Sampson: I suspected the Chair was swift afoot.

The Chair: I asked for all of the items under taxes, including all of those paragraphs.

Mr Christopherson: Then we misunderstood your fine, precise points, Chair, and I would ask, since Rob raised it first, if he wants to speak to it, and then I'll follow.

The Chair: I'm listening.

Mr Sampson: The section seems to be page 5, third paragraph down, starting "First Nations," I think. Correct? Is that the one we're—

The Chair: Tax administration.

Mr Sampson: Yes. I think this is one of the areas where we should instruct—

Mr O'Toole: Ask.

Mr Sampson: Direct, ask, whatever the right word is.

The Chair: Make a recommendation?

Mr Sampson: Well, sure, if you want to make it that bold. But I would suggest that the report say that the committee—

Mr O'Toole: Unanimously.

Mr Sampson: Well, this wouldn't be a unanimous report. "The committee asked that the minister take a serious look at solving this." I don't know what the phrase is, but get on with it. Give them what they want or tell them to go away.

The Chair: That's an opportunity to do a recommendation that highlights it and separates it over and above what has just been requested and reported.

Mr Christopherson: If I can, Chair, you're absolutely right. The only concern I would have is that we then create a new category of subject matter, and that would be one that isn't important enough or there wasn't unanimity around and therefore it's not—do you see what I'm saying?

Mr Sampson: Which is why I don't want to do this as a recommendation, because it'll stand out like a sore thumb. It's just something that she should look at, and I think just adding a phrase to that effect would be helpful.

Mr Christopherson: I agree, and I was going to, at the very least, ask that the word "again"—and I know that others can use this, but what really got me was that we had made exactly the same representation and after two years none of us was able to poke a hole in their thinking as to why this shouldn't move on. I'm not trying to cast any aspersions here, but if we can't use the word "again," then maybe another sentence afterwards that somehow—and maybe research could help. But we should emphasize the fact, short of a recommendation, that this really is something that nobody had an argument with and that something should move on it.

Mr O'Toole: I did inquire with one of the ministry people on that because it came up before, and again, I met with them when I was in finance. There was a privacy issue of some sort with respect to cards, names, pictures. That may be someone else—

Mr Christopherson: Was it enough to derail your wanting to follow through, John?

Mr O'Toole: No, no. I just met with them to see if there were other barriers, and one of the things the ministry said at the time, I believe, was that it was a privacy issue, dealing with photos. I just wanted to add that.

Mr Christopherson: I'd leave it up to research to ask if there's a sentence we can make that doesn't create a new category, and by that I mean by virtue of not having this sentence attached to other issues, they become less important or have less support. But is there some sentence we can create that would give this, obviously, the lift that we would like?

The Chair: Before you answer that, I'll ask Mr Kwinter to comment.

Mr Kwinter: Can I suggest a way of doing it without having to go through putting in one recommendation in the whole report that will stand out? We could say, "The

First Nations representatives again made the case for the approval of a point-of-sale system to expedite the rebate process for native gas retailers."

Mr Christopherson: That's what I originally—yes.

Mr Sampson: Can we add or suggest that we take a serious look at this, or something like that? Is that a phrase that offends people?

Mr Christopherson: But as soon as we do that, then we've got one item in the whole report that got a unanimous recommendation. It looks like it's our top, above all, and everything else has a secondary class to it.

Mr Sampson: All right, that's fine.

The Chair: We'll let Larry—

Mr Johnston: I'll just try one on for you. You could have a separate sentence that said, "Members of the committee were sympathetic to this presentation."

Mr Sampson: Well, you have the same thing as Dave's problem. Let's go with Monte's suggestion.

The Chair: Could you repeat that, please, Monte?

Mr Kwinter: What I would suggest is, "The First Nations representatives again made the case for the approval of a point-of-sale system to expedite the rebate process for native gas retailers." By using that wording, it implies that they made the case, as opposed to suggesting something. They made the case, and we're saying they've done it again.

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Mr Christopherson: I'm going to ask you if I'm going against my own point by just adding a word like "excellent" or something descriptive.

Mr Sampson: I think you are going against your own point.

The Chair: I think this is the point that Monte's making: "made the case" tends to give it justification.

Mr Christopherson: That's fine. My actual first thought was that I had the word "again" in there when I read through it, so I'm fine with that if that's the best we can come up with.

Mr Sampson: I like Monte's suggestion.

The Chair: Mr Kwinter's suggestion is acceptable then? Thank you. That's the way it will be modified. Any others under that tax section?

Mr Sampson: Was there not another retail sales tax bureaucratic—

Mr O'Toole: Yes, there was.

Mr Sampson: Was it the agricultural side? Can you remember that one?

Mr O'Toole: The farm business registration number is a problem as well, administratively.

Mr Sampson: Something occurs to me that we heard another retail sales tax administrative—

Mr Christopherson: Don't say "boondoggle."

The Chair: Check and see if it surfaced under agriculture.

Mr Christopherson: Do you know what? I think that's the word on your lips.

Mr Sampson: It's close.

Interjection.

Mr Johnston: Heidi says she overlooked that in the retail paragraph, so we could add that if you wish.

Mr O'Toole: Yes, because it says "point-of-sale verification" of retail sales tax at the bottom of page 4.

The Chair: So this would be under the tax administration section or its own little paragraph for agricultural tax?

Mr O'Toole: Retail sales tax.

The Chair: Under retail sales tax?

Mr O'Toole: I think. I'm just asking. I think that's where it fits.

Mr Johnston: No. I think what Mr Sampson is asking about is the request to adopt the use of the farm business registration card for RST exemption purposes. We could add that as a clause in the sentence which says, "Other concerns included the institution of point-of-sale verification of RST purchase exemption certificates...." We could add a clause in there saying, "Adopt use of farm business registration card for RST exemption purposes," into the middle of that sentence. Would that capture that?

Mr Christopherson: That sounds good.

The Chair: Agreed? Done. Delving into your memories yet again, is there anything else under tax issues? Is there anything else under tax issues? For the third time, is there anything else under tax issues? Shall we carry the tax issues, as amended? Thank you. Carried.

We now move on to the next general section of non-tax issues, which include credit unions, opportunity bonds and other non-tax issues. Are there any recommendations there?

Mr Beaubien: Under credit unions, I think there were two issues. Besides the merger issue, I think they were talking about the unlevel playing field between the different premiums, between CDIC and the DICO premiums. I think that was a good point.

Mr O'Toole: I think it's there as insurance premiums. "More in line"—

Mr Beaubien: "More in line with those paid..." Again, I stand to be corrected, Mr Johnston.

Mr Sampson: Before Monte says this, because I think he and I agree, I think we need to indicate to the minister that the concept of risk-adjusted premiums should stay there.

The Chair: Do you understand that? Are you in agreement, Mr Kwinter?

Mr Kwinter: If I can just comment, the concern that I have, and I'm sure Ron has the same concern, is that the credit unions are saying, "There is a discrepancy between the premium rates that the banks pay and we pay, and we think that's not right." The reality of the situation, the reason for that, is because of the risk. The credit unions can't, by any stretch of the imagination, with their capital base, in any way compare to the banks. They want to provide some of the services but there is a greater risk there. Insurance companies do risk management. They figure out the risk and the premium reflects that.

It's one thing for them to say, as the report says, "more in line with those paid by banks." What that means exactly, I don't know. They can ask for that, but the

reality of the situation is that there's a greater risk for credit unions than there is for banks, and that's reflected in the premium.

Mr Sampson: To that point, we're not editorializing their submission. They actually did agree in the questioning after their submission that, yes, it should reflect the relative risk. I think our report to the minister might say that they should bring deposit insurance premiums more in line with those paid by banks on a risk-adjusted basis. If their complaint is that they're cheaper on a risk-adjusted basis, it's a valid complaint. If their complaint is, "Well, they're cheaper because they have a lower risk and we have a higher risk," that, in Mr Kwinter's view, reflects reality.

Mr Kwinter: If you'll recall, in their submission there were five categories for credit unions and four categories for banks, and they showed the different premium rates depending on whether you're category 1 or whatever it was. There are some credit unions that are in a category 1 situation, which might equate to a category 3 or category 4 bank. That would be a fair sort of comparison. But there's no question that if you're in a category 5 credit union rating, that is a high risk, and they have to pay the according premium. So I would suggest that if we could reflect that on a risk-adjusted basis, that would cover it.

Mr Johnston: My only concern is that the sentence begins by saying, "Credit unions across the province gave unanimous consent," because we heard the same recommendations from each credit union presenter. The conversation in response to questions that may have clarified the question of risk adjustment may well be true of that presenter, but we don't know if in fact all the credit unions would share the same position in terms of risk adjustment premiums. I am just uneasy about putting words into the mouths of all of them.

Mr Kwinter: If I can be helpful, on second thought, this really reflects what they've asked for, and whether we agree with it or not is something else again. Maybe we shouldn't be trying to—

Mr Sampson: Yes, but we did get them to agree in Thunder Bay, I think it was, that there is a component of risk which needs to be priced into the premium. We didn't ask the same question of every credit union that came before us, so I think the research officer has a point. I'm at a loss to know what to do here.

The Chair: John wants to say something.

Mr O'Toole: I think that probably some of them have worked with it. But this thing has been around. I know there were four issues, but the main one is the merger, the liquidity pool. That's the main issue, and I would like to almost separate that. There was discussion on the collateral mortgage issue as well as the premiums, and I agree with Rob on that: they didn't present the risk assessment fairly until you questioned them, actually, in Thunder Bay—or Monte did. So I think they're somewhat different. But there was and has been unanimous support with all the credit unions that if the minister could right now do whatever—I think it's just a small regulation that has to allow that merger between BC

Central and Credit Union Central of Ontario for liquidity coverage. Currently, how they get liquidity is through a line of credit with the bank, which means they are a little servant of the bank. That's how they get it today.

Mr Johnston: I think Mr O'Toole has found a way out for us on the wording of this. We might put it this way: "Credit unions across the province gave unanimous support to the recommendation to enact legislation expediting the merger of the finance divisions of BC Central and the Credit Union Central of Ontario offices. Other recommendations discussed included: giving credit unions the ability to network with financial service providers; amend section 57 of the Credit Unions and Caisses Populaires Act, 1994, to eliminate restrictions on issuing collateral mortgages; and to bring deposit insurance premiums more in line with those paid by banks, on a risk-adjusted basis." Then we're not necessarily putting it on a—

Mr Sampson: Carried.

The Chair: Agreed? Thank you.

Are there any other changes to the credit union section? Is there any discussion on opportunity bonds? Are there any other non-tax issues, other than what has been stated? Shall we carry this section—

Mr O'Toole: I just want to finish reading this one on the pension issue.

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The Chair: Are you all right, then, John?

Mr O'Toole: Yeah, sure.

The Chair: OK, then we'll adopt this section as amended.

We'll go to section 3, "Recommendations concerning other ministries." We'll do them one by one.

Agriculture: are there any changes you'd like to see? Do you agree with what is in agriculture? Going once, going twice, agreed that the summary on agriculture shall be approved.

Under community, family and children's services, we'll go by the bold titles, OK? Any changes under child care? There being none, shall we approve it as presented? Carried.

Child and family supports: any changes to that section?

Mr Christopherson: In the second paragraph—"A request for dedicated long-term support for women's centres and shelters was accompanied by specific recommendations to fund 'second stage' programs, and to provide victims of family violence with transitional rather than permanent social housing." I don't imagine that anybody who came in emphasized they wanted transitional and that no permanent is needed, and if they did, I don't think they meant to. Nobody who talks about any kind of housing whatsoever doesn't include the fact that there has to be more permanent social housing, so even if you replaced "rather" with "in addition to"—

Mr Johnston: How about "before": "transitional before permanent social housing"? I think that was the effect of the presentation, that people shouldn't be put immediately—

Mr Christopherson: I'm not sure that the people who were arguing for transitional support would be arguing it in a hierarchical way vis-à-vis permanent. My point is that anybody who would be supporting transitional, in my experience, would also be the first ones to make the argument that there also needs to be permanent social housing, and wouldn't say anything that took away from that. Phrasing it this way is suggesting that, and I don't think they would.

Mr Johnston: I meant it in terms of sequencing. I believe the presentation was—

Mr Christopherson: Is there a problem? Does it take away from what you want to say if you take out "rather" and put "in addition to"?

Mr Johnston: That's fine.

Mr Sampson: Sorry, Dave, are you arguing just getting rid of the phrase "rather than permanent" so it ends, "family violence with transitional housing"?

Mr Christopherson: I have no problem if we take out the word "rather" and just put in "in addition to," because they do talk about the continuum of housing. My only concern is that the way it's worded makes it sound like the permanent somehow has to take a back seat to something, and I don't think they would argue that, knowing them the way I do.

Mr Sampson: That would be fine.

The Chair: OK. Is that change agreed to? All right.

Are there any other changes to the child and family support section? Is it agreed that we adopt those paragraphs? Thank you.

We move to social assistance benefits: are there any comments on that section? Shall we approve the paragraph as presented? Agreed.

Any comments on the Ontario disability support program administration?

Mr O'Toole: I just need a second. The one thing I know without reading this or completing it is that there were problems with the appeals process. Is that in here?

Mr Johnston: Yes, in the second sentence.

Mr O'Toole: "Concerns were expressed about the amount of paperwork involved in claims management..." They were suggesting, and I heard, that each one was refused first.

Mr Johnston: The second sentence.

Mr O'Toole: Second sentence: "... frequent denial of initial claims for eligibility and the high success rate of ... appeals..." Yes, that's it. OK.

The Chair: Is that all right?

Mr O'Toole: Yes.

The Chair: Is that acceptable?

Are there any changes to the ODSP administration? Shall we approve it as presented? Carried.

We move to consumer and business services. Is that under community, family and children?

Mr Johnston: No, it's a separate category.

The Chair: It's a new category, sorry. It's not a subtitle.

Do you want any recommendations on the whole community, family and children's services section? Seeing none, we shall carry that section as amended.

We move on to consumer and business services. Are there any changes to those paragraphs or to that section that you would like to see? Mr Beaubien?

Mr Beaubien: No, I'm fine with it.

The Chair: Agreed? Agreed. Then that section shall carry as presented and approved.

We move to education: elementary and secondary, and we'll break it down into the subheadings. First, is there any comment on the introductory paragraph? Agreed.

Shall we move to the paragraphs on funding? Any comments on funding? Agreed?

Interjection.

The Chair: Mr Arnott has asked for—

Mr Arnott: OK.

The Chair: Agreed? No further comments? Do we approve the funding section as presented? Carried.

We move to the programs section.

Mr Christopherson: A small point on the first sentence: "Presentations were made that more should be done to provide remedial programs during the school day, that replacing standardized testing with random testing could create considerable savings." My recollection is that the presenters on that were very emphatic about the fact that no quality of results would be lost, which is significant, because all this speaks to is considerable savings. There are always ways to find savings. What you try to do is find that sweet spot where you can find savings but you haven't watered down the results of what you're doing. It just seems to me it should be in there as a qualifier that this isn't just holus-bolus saving a few bucks; this is a good management move because you'll get the same quality of results—I remember them speaking to that—and you'll save money. It was those two hooks that made the point, rather than just the fact that they're going to save bucks.

The Chair: Any further comment on that?

Mr Johnston: There are three points in that sentence. What I propose is to move the phrase that deals with standardized testing out of that sentence into a separate sentence. So the first sentence would read, "Presentations were made that more should be done to provide remedial programs during the school day, and about the benefits that would accrue from funding outdoor education centres." The second sentence would say, "A recommendation was made that standardized testing be replaced with random testing to create considerable savings without sacrificing quality."

Mr Christopherson: Perfect.

The Chair: Agreed? That's the amendment. Are there any other changes to the programs section? Agreed? Carried.

We move to the governance section. Are there any changes to the governance section? Seeing none, shall we approve what has been presented? Thank you.

We move to the future directions section. Any comments on that? Seeing none, shall we approve that section? Thank you.

So we approve the education: elementary and secondary section, as amended? Approved.

We go to the education, postsecondary and training section. Are there any changes to that section? I'll move to the subheadings in a moment. I just wondered if there is anything on page 10 that you want to change. No comments? No changes? So we'll carry that.

We move to the student finance section, page 11. Any comments or changes to that?

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Mr Christopherson: Yes. The last sentence of those two paragraphs says, "... and using millennium scholarship funds to help students more effectively." I acknowledge that I may be creeping into partisan territory and, if so, I am prepared to hear that criticism, but I thought this was pretty soft. Don't take this the wrong way, Larry, but from where I sit, to merely say, "to help students more effectively," is fairly motherhood. You could also take it to mean, "Everything is humming along nicely; we just need to see a little more of...." and in fact that's not the case. The criticism was that because of provincial policies, students aren't able to maximize the benefit totally that the federal government intended with the millennium scholarship, and they were urging the provincial government to change the policies and regulations that led to that lack of 100% effectiveness—then I went and used your own word. It just seems to me that there needs to be a little more recognition that this isn't, "We want more of a good thing" but "Something here is a little bit broken and it needs to be fixed."

The Chair: Any other comments?

Mr Arnott: What line is this again? I'm sorry, David.

Mr Christopherson: It's the last sentence of the second paragraph under student finance, page 11. Actually, it's the last segment of the last sentence, "and using millennium scholarship funds to help students more effectively."

Mr Beaubien: So what are you suggesting, David?

Mr Christopherson: I don't know, I was just hoping we could be a little more precise that there really is a roadblock that the provincial government has put in here that prevents students from getting the full benefit. I wish I could remember the exact number, but I think it was \$1,000 or \$2,000 a year less that Ontario students get than other provincial students because of the policies of the provincial government vis-à-vis the federal millennium scholarship fund.

The Chair: Larry has a suggestion.

Mr Johnston: What we could do is take that last clause that refers to the millennium scholarship funds and make it into a separate sentence: "Student representatives also suggested that federal millennium scholarship funds be used to provide additional yearly funds to students and/or substantively reduce their debt loads." That's more or less taking the wording out of the students' own presentation.

Mr Christopherson: Would you say that again, Larry, please?

Mr Johnston: "Student representatives urged the government to use federal millennium scholarship funds to provide additional yearly funds to students and/or substantively reduce their debt loads."

Mr Christopherson: Well, it's better, but I have to say it still doesn't go all the way to making the point that because of the policies of the Ontario government, there's a different result in terms of the benefit of the federal program to Ontario students than other provinces, and they were arguing that should change.

Mr Beaubien: This would give them the flexibility either to use the money or to reduce their debt load. It gives them some flexibility, the way he's got it worded.

Mr Christopherson: Fair enough, but it seems to me the students' point was that regardless of what you do with that money and how you apply it to benefit individual students, there still wasn't the same net benefit to a national program in this province that you would receive as a student in other provinces, and they wanted that barrier removed. I don't have the language, whether it's a clawback or whether it's in the formula, but the net result is you don't get as much if you live in Ontario than if you lived in other provinces on a nationally funded program.

Mr Johnston: I think it would be fair to say that the presentation was to the effect that the government should change its current policy with respect to millennium scholarship funds in order to do the items—

Mr Christopherson: But even if we said that, without—

Mr Johnston: But whether or not that's the committee's wish, I don't know.

Mr Beaubien: I wasn't there that day, so I'm quite— if you're comfortable—

The Chair: Was that the way it was stated? That's really what we're looking for here.

Mr Christopherson: Yes, that's much fairer. It's not a whole negative about the government but it is saying, "Make some changes," and I'd like at least that much reflected in the wording.

Mr Johnston: If you wish, I can refer to Hansard over lunchtime.

Mr Beaubien: Sure.

Mr Christopherson: I'm OK with your language, Larry, that you just proposed, if you want to clean it up, Chair.

Mr Beaubien: We can go with that.

The Chair: So it's agreed, as Larry has suggested?

Mr Christopherson: Yes, that gets me most of the way there.

The Chair: Any other changes to that student finance section? So we'll agree to it, as amended? Carried.

Future directions: any comments on that paragraph? Hearing none, shall we approve that paragraph? Thank you.

We shall move to "labour shortages, skills development and specialized training," as that paragraph is titled. Any comments on that section?

Mr Beaubien: I think the community colleges also stressed the fact, I think in Sudbury, Cambrian College—I don't know if you captured this somewhere else, Larry, but the training was a concern, not only from the employer but from the provider point of view. I think Cambrian said that right now they're training 60 millwrights but if they had the funding they could train 120, and they would be gainfully employed as soon as they—I don't know whether—

Mr Johnston: I think at present it's probably only captured in the paragraph on community colleges in terms of breaking down their funding request into a variety of different aspects, such as program development, apprenticeship and other initiatives. It would be possible to add a phrase in this paragraph to the extent that, "Community colleges expressed their frustration at not being able to provide more in the way of training programs."

Mr Beaubien: I think I'd like to, personally anyway.

Mr Johnston: If that's the committee's wish.

The Chair: I didn't catch that, Marcel. Do you want the change made?

Mr Beaubien: Yes, if it's satisfactory.

The Chair: OK. Do you have any suggestions?

Mr Johnston: I would add the phrase to the paragraph on labour shortages, skills development and specialized training that, "Community colleges indicated their frustration with not being able to provide more in the way of training programs to address skilled labour shortages."

The Chair: Is that agreeable?

Mr Beaubien: Yes.

The Chair: Thank you. Any other changes to that paragraph? Shall we approve it, as amended? Thank you.

We move to energy. Where's Sampson when you want him? Are there any changes to energy?

Mr Phillips: I don't mind, Mr Chair, if you want to come back to that, if Mr Sampson—

The Chair: Is this where we were going to add his paragraph?

Mr Johnston: I thought the decision was to add it under taxes.

The Chair: Do you want to defer this until Rob gets back in the room?

Mr Johnston: I thought Mr Sampson indicated he was comfortable with it being added under taxes, under alternative energy tax credits. I believe that's what was decided.

The Chair: Is that the case? Do you want to defer that section until he gets back in the room? Is that OK?

Mr Phillips: Fine.

The Chair: Thank you. We will move on to enterprise, opportunity and innovation. We'll go to the subparagraph on the auto industry. Any comments on the auto industry? Shall we approve as presented? Thank you.

We'll move to regulation and red tape: any comments there? Seeing none, shall we approve that paragraph? It would help if someone would just say yes.

Interjections: Yes.

The Chair: Thank you.

Mr Phillips: Yes, we're alive.

The Chair: I appreciate it.

Small and medium-sized business: are there any changes to that section? Seeing none, shall we approve that section?

Interjections: Yes.

The Chair: Thank you.

Mr Phillips: Several yeses.

The Chair: Under environment, do we have any changes? Seeing none, shall we approve that section? Thank you.

1140

Health: we have first a series of opening paragraphs and then some sections. So we'll deal first with the opening paragraphs on page 13. Are there any changes there? Do you want a moment to scan through that? We're all right? OK, shall the opening paragraphs of the health section be approved? Thank you.

On page 14, go to the subsection of delivery of services. Any changes to primary care reform? Seeing none, shall we approve that? Thank you.

Community health programs: shall we approve that?

Mental health.

Mr Beaubien: Can we go back to community health care? I think the hospital administrator from Terrace Bay made a very compelling argument with regard to small hospitals and northern and rural hospitals being able to provide the primary health care needs of people as opposed to duplicating the service with a community health care centre in small communities. I think that's a very valid point and I don't think it's captured here.

Mr Christopherson: You're three for three. It is in there somewhere. There's an actual sentence that speaks to that issue.

Mr Johnston: I think it might be under hospital funding.

Mr Christopherson: Is that correct, Chair? I remember reading—

Mr Johnston: It's the very last sentence under hospital funding.

Mr Beaubien: Oh, it was within it. OK.

Mr Johnston: But that may not capture exactly what Mr Beaubien is asking about.

Mr Beaubien: No, because it says, "One presenter asked the government to recognize the inadequacy of the funding formula for small hospitals with special circumstances." I think it's not specific enough. The message he was trying to convey was, as opposed to trying to duplicate the service in the community—the foundation to provide it already exists in the community; why create another albatross?

Mr Christopherson: I thought you were making a reference to the one small hospital that had to have the two separate kitchens.

Mr Beaubien: Yes, that's the same, but that would be because they had the long-term-care beds, remember?

Mr Christopherson: Yes.

Mr Beaubien: But he also said, as opposed to opening a community health centre in the community, "We're already a small community. We already have the foundation in place to provide that service. The money should be better spent in providing the services from within the hospital, while Hamilton may not be adequate to do that." I thought it was a very valid point especially in my riding, which is quite rural, and northern ridings. I certainly would embrace that.

Mr Christopherson: So you're speaking to the ability to structure differently because the communities are so different in their makeup.

Mr Beaubien: That's right.

Mr Christopherson: I wouldn't have a problem with language that reflects that a little more specifically.

Mr Beaubien: I think if you put in maybe a sentence to clean that up.

Mr Christopherson: Is this specific to its being hospitals or just the fact that it's already there? There was that presentation made in I think Ottawa, where they had all the community components for health care, social services, all the supports for healthy living and things, and they were saying, "All we need now is to be a community health centre, and that component would just drop right into everything we've got." Remember, they had all the charts and everything? Does that speak to the same sort of thing?

Mr Beaubien: Somewhat, but from a different light, because the needs in rural Ontario and northern Ontario are different. I can see having an outreach program started by somebody in Ottawa and Hamilton because of the demographics, but in Terrace Bay or in small communities of 5,000 or 6,000 people, the hospital is already the health care provider. You don't need to start another agency a quarter of a mile away competing with the hospital. They showed that by attaching the long-term-care beds to the hospital, whereby in Hamilton or Toronto it may not be the right thing to do.

Mr Christopherson: They could sustain an independent—

Mr Beaubien: Because the infrastructure is already there.

Mr Christopherson: The only thing you have to keep in mind, and you may know this better than me—I do know there are some sensitivities in community health service delivery to institutions like hospitals being given the driver's seat every time. That whole independence is important to them, because they argue, "We do things differently when we provide community health care as opposed to what you get in a hospital."

So we just need to be aware that there would be some sensitivity to a holus-bolus approach that said in a smaller community, where you've got an existing health care institution, they would be the anchor for all community health delivery. I suspect that you would start to run into some problems there. So maybe it's just how we word that.

Mr Beaubien: If you look at the role of the small rural hospital, they basically provide primary and

outpatient. I think that's what it was trying to say: save the dollars, put them here so that we can look after the patients as opposed to putting up another building somewhere and having the staff. We already have that here. Let's complement what we have. I don't have any problem because I think it would work in these small communities. It may not work in your community, I agree.

Mr Christopherson: I understand. Maybe we just need to make the point that we're sensitive to the fact that when these happen, it's the dollars of the bricks and mortar and the efficiencies, not necessarily that the hospital would be the lead delivery agent, that they suddenly become the bosses. If you go back—again, I don't want to repeat myself—in history, when you started to break out and provide community health care services, it was always wanting to get out from underneath the feeling of omnipotence that the hospitals had because of their size and staff and budgets; they could rule everything, was the way the community people saw it. So over the decades there's been this evolution and devolution away into the community.

All that is to say that if we're making the case of where efficiencies can be made by virtue of recognizing physical institutions that exist in smaller communities and looking at those as the starting point, and separate that from the fact that hospitals won't automatically be the boss in those relationships even if they're in the same building, because community health service is important to them—that they be seen as separate and equal in the same building. The "equal" part has to be emphasized.

The Chair: Can we see what Larry has come up with?

Mr Johnston: I'm just looking for wording to put into the community health programs paragraph to reflect what Mr Beaubien heard from the hospital in Terrace Bay. What I have is as follows: "A representative for hospitals in small and rural communities pointed out that these institutions are ideally suited to provide primary health care in their communities."

Mr Beaubien: You may have a little bit of a concern because that may be a little too much.

Mr Christopherson: Yes, it plays right into what my concern is.

Mr Beaubien: But that is what he was trying to say, and maybe it was self-serving, but you look at a small hospital. For instance, in Newbury we have a hospital, and the community is 402 people. Where do they get health care? At the hospital. There's a different mentality with the people there because that's where they've been accustomed to getting their health care.

Mr Christopherson: As long as there's a reflection of the fact that it would still be a hybrid. If you take that wording exactly, it says the hospital is the focal point of community health care delivery, including primary care, and they run it. That's different from the way a community health care centre approaches the delivery of service. They see themselves as an equal partner in the continuum of health care rather than being a subsection of the hospital. Maybe that's not as big a deal in the rural

areas, but if you just said holus-bolus that the hospitals will be the centre point for all community health care delivery, I think you're going to run into some trouble and lose the very good points you're making.

Mr Beaubien: I think maybe we can incorporate the rural/urban demographic—

The Chair: Even though that was just one presenter, from what we understand. Do you feel that's reflective of other rural communities?

1150

Mr Beaubien: Yes, in my riding it is, and basically that's why I flagged it, because it is an issue.

Mr Johnston: I guess I need direction. The sentence I have I think captures what the presenter was asking for. It may not capture the distinctions that the members are discussing right now, and I'm not sure how to put that in without putting words into the mouth of the presenter. That's my concern.

Mr Beaubien: I'm not going to disagree that what he was recommending might be somewhat self-serving for a hospital administrator, but that's what he was talking about.

Mr Christopherson: All right. As long as it's very clear that that was one presenter. I hear your point that this is to reflect what they said, not necessarily how we feel about it.

The Chair: Is that agreed upon, then? So we'll approve that community health programs, as amended, then? Thank you.

Mr Sampson has now returned to the room. We deferred the energy section on page 11 out of courtesy and deference and stuff—pages 11 to 12. Are there any comments or changes to that energy subsection that we wanted? You OK with it, Rob?

Mr Sampson: Yes, as I heard an hour ago.

The Chair: We had put it into the taxes section, but we—

Mr Sampson: I'm fine. Thank you for holding it up. I apologize for not being here.

The Chair: Thank you. So the energy section shall carry, as seen? Thank you.

Now we'll skip forward to the mental health section on page 14. Are there any comments on that paragraph? You had a question, Rob?

Mr Sampson: No, thanks.

The Chair: You're covered?

Seeing no further comments on this, shall we approve this section, as reported? Thank you.

Home care: any comments on that section? Shall we approve it, as presented? Thank you.

Long-term care: are there comments on that paragraph? OK. Seeing no comments, shall we approve it, as presented? Thank you.

We move to the next section, hospital funding. Are there any questions or comments on that paragraph summary? Agreed, as presented? Thank you.

Health professions and professionals: any comment on the couple of paragraphs on those issues? Seeing no

comments, shall we approve it, as presented here? Thank you.

Moving to the "other" section just below that: any comment? Is that agreed? Is the "other" title acceptable? Thank you.

Housing: any comments for those two paragraphs on page 16? While you're doing that, can I ask you to carry Health, then, as amended, the entire section? Thank you. Carried.

Back to housing: any comments? Seeing none, shall we carry that opening housing section, those two paragraphs on page 16? Thank you. Carried.

Page 17, labour: any comments on the labour section? Seeing none, shall we approve that section, as presented? Thank you.

Municipalities: any comments around those paragraphs?

Mr Christopherson: The second paragraph, the third-to-last sentence: "Representatives of the home building industry asked that abuses of development charges, education development charges and GO Transit development charges be identified and corrected." Again, this is similar to the point I raised earlier. Probably my concern is more on wording than on substance. In saying, "Representatives of the home building industry asked that abuses of," it leaves the assumption that there are all kinds of recognized abuses, and they're asking the government to do something about it. I think that is very much different than the presenters having an opinion in some specific locations where they think this is the case. That may indeed be so and it may not. That depends on each subjective review. But to leave this as a standing assumption I think is not—

The Chair: Fair?

Mr Christopherson: Yes, fair. Thank you.

The Chair: Are there any other comments?

Mr Johnston: This wording is more or less directly out of the presenters' recommendations. I would be happy to change it if you have a suggestion now.

Mr Christopherson: It's just the way this is worded as a statement of fact. It doesn't say that representatives felt there were abuses and therefore they wanted this done. It's done in such a way that this looks like it's a motherhood assumption, and I have some difficulty with that, that's all.

Mr Beaubien: What about the inconsistencies in the application of development charges with different municipalities? I don't think it was with every municipality.

Mr Christopherson: They did make the comment. No, I'm not arguing that. As I mentioned earlier, I think they've taken a couple of cases to the OMB and won them; fair enough.

Mr O'Toole: Why don't we just add that?

Mr Kwinter: I was going to suggest that we just put the words "that some abuses."

Mr Sampson: Or "any."

Mr Christopherson: Yes, something like that, even "any."

The Chair: The thought that came to my mind was “alleged abuses.”

Mr Christopherson: Better yet.

Mr O'Toole: Or just “that abuses in some municipalities.”

Mr Christopherson: Again, though, “alleged abuses” or—

Mr Sampson: “Any.”

Mr Christopherson: Or “any,” yes. I don't have a problem with “any.”

The Chair: All right, give us one word here. “Any”?

Mr Christopherson: Yes, “any” modifies it enough.

The Chair: Have you got that, Larry?

Mr Johnston: Yes, got it.

Mr Christopherson: That was a long speech for a three-letter word, wasn't it?

The Chair: Any other changes to that section under municipalities? Shall we approve it, as amended?

Mr Christopherson: Yes.

The Chair: Thank you. Hansard can't record the nod of a head.

I'm going to take the liberty of going over by a minute or two for these last two little sections, and that will leave us just the deferred items for research to come back to at 1 o'clock. Is that all right?

Mr Christopherson: Question: we're coming back at 1 o'clock to do that and what else?

The Chair: And the structure of how we send the report to the minister and report it back to the House.

Mr Christopherson: Is there any way we can wrap this up, even if we took a five- or 10-minute break, to let research massage those couple of areas? We're in a very co-operative mood, Larry.

The Chair: Is that sufficient time?

Mr Johnston: I think so. I think we really have only one outstanding issue on municipalities: municipal taxation. I think that's the only thing we haven't come to.

Mr Christopherson: And I don't mind consulting with Larry. I think we can smooth that over pretty quickly.

The Chair: All right. Then we'll go to tourism and transportation, and then come back to—you want a few minutes to—

Mr Johnston: If we took a five-minute recess.

The Chair: Oh, you want to do it right now? Then we'll just address everything and—

Interjection.

1200

The Chair: Fifteen minutes?

Mr Christopherson: Do they need a break, though? Do they need a chance to do a little work and come back?

The Chair: Is 15 minutes sufficient time?

Mr Johnston: You can clarify with me what your concern was. I have Hansard here. Maybe we can find it.

Mr Christopherson: Do you want to do that live, or do you want to take a break and do it?

Mr O'Toole: Do it now.

Mr Christopherson: Do it now? OK. Come back to that clause, then.

The Chair: Are you ready to do it now?

Mr Christopherson: Yes.

The Chair: All right. Larry has Hansard here, and he can clarify it. So let's do tourism and transportation, wipe them out and come back to the deferred items, OK? Good. Are there any comments under tourism? Agreed as presented?

Mr Phillips: Yes.

The Chair: Thank you. Are there any comments or changes to transportation?

Mr Sampson: Chair, in reference to the second-last line, “northern highway infrastructure participating in”: I thought it was general highway infrastructure. I think the actual reference was the Trans-Canada Highway, which goes over more than just the northern part of the province.

Mr O'Toole: I have “participate in highway infrastructure.”

Mr Sampson: Yes. So I'd like to take out “northern,” because I don't think that was their full intent.

Mr O'Toole: We did hear it in Thunder Bay.

Mr Johnston: With respect, it was the Northwestern Ontario Associated Chambers of Commerce, and I think their concern was northern highways.

The Chair: Where's CRASH 69—in Sudbury? David?

Mr Christopherson: On that point, Chair, if you'll allow me—and if you want to do it at a different time, I'll take your direction—I was looking at the research paper that you provided us with, Larry, on the question of the Trans-Canada Highway. I have to tell you that I'm still not clear on—and maybe that's indicative of provincial-federal relations vis-à-vis the Trans-Canada Highway—who's responsible for building, maintenance, expansion, etc. Is it a year-by-year thing? Is there a standard formula? Is there a written agreement? Just exactly how does it work?

The Chair: I think that question was asked; I recall.

Mr Christopherson: There's a research response, and I'm sort of injecting that into this now to help us clarify that, because I just didn't get what the—I went through the report, obviously, or I wouldn't raise this. But at the end of reading it, I wasn't really that much clearer as to what is the framework understanding under which all activities between the two levels of government and the funding of the Trans-Canada Highway take place.

Mr Johnston: My understanding is that the federal government announced this specific infrastructure program to deal with the Trans-Canada Highway, and that none of the money has flowed yet, but that the federal government and the provinces are engaged in a process of identifying which Trans-Canada Highway projects will be funded under this agreement. It's a multi-year agreement.

Mr Christopherson: But step back from that. This is a program they've announced to do some things. What's the starting point for that policy to be generated and implemented? Is the starting point, “We're the federal government. It's the Trans-Canada Highway. We have

ultimate responsibility. Therefore, we are going to announce these programs"? Or is there some other relationship? Is it the provinces that are responsible for their own segment, but in this case, "Because we're such a wonderful federal government, we're coming along with this money"? What's the starting point arrangement vis-à-vis responsibility for the Trans-Canada between the national and provincial governments?

Mr Johnston: I'm not a constitutional expert, but I would suggest that the responsibility lies with the provinces for construction and maintenance of highways. But there's nothing to prevent the federal government from funnelling money toward that purpose, just as it funnels money to other provincial jurisdictions, such as jurisdictional responsibilities. In this case, I believe it was a budget measure announced by the federal government.

Mr Christopherson: I'm sorry to be picky about this, but I can't get it clear in my head. When the highway was built, whose highway was it? Who has ultimate responsibility, and who is stepping up to the plate to meet the responsibilities they have, either under the Constitution or under an agreement, versus who's stepping in and saying, "Well, it's not really our responsibility, but something has to be done. We're the federal government, so we're going to do it"? What is that starting point understanding of who's responsible for the Trans-Canada Highway?

Mr Johnston: My understanding is that the Trans-Canada Highway is a designation that carries no responsibility by the federal government to maintain or operate that roadway.

Mr Christopherson: OK. I don't know this. Was it built as an original concept like the railway, or is it something that was linked up province by province and whoever had a trans-east-west highway in their province, that was designated part of the TransCanada Highway?

Mr Johnston: I would have to research that to give you the history.

The Chair: So getting back to the original suggested concern, Mr Sampson?

Mr Sampson: I stand corrected. If that was a suggestion from the northern group, then it's probably appropriately worded as it currently stands.

Mr Johnston: I think their concern was the state of the TransCanada Highway in northwestern Ontario, and I think they were lobbying the Ontario government to try to promote that section as one that would qualify under the federal policy.

The Chair: I had another question on this. It had to do with CRASH 69 out of Sudbury, because they were looking for Highway 69 improvement and redevelopment, and then the other corner of the province, which I think appeared in London. Didn't someone mention in London, and it may have been under one of the municipalities, the Windsor-Detroit corridor connection? Did that surface somewhere?

Mr Johnston: I believe that's under infrastructure, key border crossings, referred to in the municipalities section.

The Chair: OK. I'll stand that on that one, then.

Mr Johnston: The CRASH 69 proposal with respect to Highway 69 near Killarney and the Kitchener-Waterloo Chamber of Commerce request re Highway 7 I believe were captured in the first sentence about "A number of specific transportation requests," rather than detailing those.

The Chair: Any changes to this paragraph, then, or shall we approve it as it stands? Agreed? It carries as stands.

We refer back now to the deferred section on page 4, Larry, on the municipal taxation issue. What did Hansard say?

Mr Johnston: I need time to check Hansard, but I just wish clarification from Mr Christopherson in terms of his concern about that initial paragraph.

Mr Christopherson: Sure. We're back to page 4, correct, Chair? Municipal taxation.

The Chair: Yes.

Mr Christopherson: I will say that dealing with the municipal category on page 17, under enterprise, opportunity and innovation, was helpful, but it still leaves me with this thought: "The government was urged to resist demands from municipal governments for additional taxation authority or other revenue-raising capacity." Again, within the municipal presentations, and we had a few, I would have thought explicitly—but if not, then certainly implicitly—there was an argument that municipalities need to find new means of revenue source. This doesn't reflect anything other than all we heard was, "Don't let those municipal governments start taxing things." That's a concern for me.

The second sentence is a secondary concern. It just says, "Legislation should be introduced." Again, it doesn't say who or how many or how strongly, and I would think that needs to be qualified. And then, "allow for the appeal of municipal decisions about fees and the level of service." It seems to me that's already provided with the OMB mechanism. Rightly or wrongly, that is what exists now. If that's the case, how much do we allow redundancies into our report? If people make a recommendation to provide public health care or to keep hospitals private, say—I'm trying to think of something motherhood—or keep policing public, and nobody was talking about anything different, and they were saying, "You've got to pass a law that stops it from being anything else," how much of this document would we fill with people making recommendations that aren't based factually in reality? That's why I asked the question of whether or not the OMB is already there. If it's there, they're entitled to make their recommendation and we'll respectfully listen and consider it. But I don't know that we would put a known redundancy into our report just because it reflects what somebody said—or would we? I don't think we do. Those are my thoughts and my questions around this, Chair.

The Chair: Any response from anyone else? Let's give research a moment here.

Mr Sampson: Can you give us two seconds?

The Chair: Yes.

Mr Sampson: Dave, are you suggesting that be taken out, the vague OMB reference?

1210

Mr Christopherson: Well, it just says, "Legislation should be introduced to ensure"—first of all, I should have made the point that it seems to me they are already based on "reasonable direct cost recovery." That is the direction municipalities have been given. I think you even tightened that legislation to provide that there have to be public meetings now before you can do any increases. This is suggesting that there are no protections or mechanisms, and there are.

The second part of that, "allow for the appeal of municipal decisions"—again, I think that exists with the OMB. To me, that whole sentence could arguably be moot, because the law already does it.

Mr Johnston: Would it be useful to identify who the suggestions came from?

Mr Christopherson: If it's a redundancy—

Mr Sampson: Dave, "To the extent it's lacking, legislation should be introduced"? We're putting words in their mouth, but I'm assuming, knowing who that came from, they wouldn't suggest duplicate legislation.

Mr Christopherson: To use Larry's point, you could put that someone argued "stronger legislation should be introduced." That gives it relevancy. Otherwise, to me, it's redundant.

Mr Sampson: I'd be OK with that.

Mr Christopherson: And "allow for the appeal of municipal decisions." If that is the OMB, then I don't know that we want to be including—

Mr Sampson: I'd be OK with the preamble phrase.

Mr O'Toole: If I may, more recently, in the last week, I've met with some constituents on this very issue. To be candid, they feel that the fees for inspections, building permit fees and plan of subdivision are changing without any real public consultation. They just arbitrarily change them. They've come to me and I'm sure they've talked to all the members. I said, "There must be some process for you to appeal this." Well, there isn't.

I don't know, Larry, if you know what I'm talking about. These are all building and development fees.

Mr Christopherson: That's council, right? Councils do it.

Mr O'Toole: Yes.

Mr Christopherson: The process is right there. They may disagree with their council.

Mr O'Toole: They just change the bylaw is all they do. I personally would support the fact that they're open and transparent and they're cost-recoverable. I said to them, "If it takes an engineer five hours to review"—

The Chair: So for the purposes of this paragraph, then, the suggestion was, Larry?

Mr Johnston: It seems to me there are a couple of options. First of all, we could begin the second sentence by saying, "Homebuilding representatives urged that stronger legislation be introduced to ensure taxes, fees and charges...."

Mr Christopherson: I could live with it.

Mr O'Toole: I would change it. "Legislation should ensure taxes, fees" etc—reasonable ... cost recovery—"allow for appeals." That's to imply that it should, and, as Dave said, it does.

The Chair: What about the early part of what Larry suggested, the first part of the sentence? Repeat it, Larry, please.

Mr Johnston: "Representatives of the homebuilding industry suggested legislation should ensure that taxes, fees and charges are based on a reasonable direct cost recovery basis."

Mr O'Toole: That's fine.

Mr Christopherson: I could live with that. The second part, though?

Mr Johnston: Of that sentence?

Mr Christopherson: Yes, "and allow for the appeal...."

Mr Johnston: Why not just say that there be the opportunity for appeals?

Mr Christopherson: Isn't there one, though? John, you're arguing there isn't.

Mr O'Toole: I don't know, Dave. In fact, I wasn't qualified to tell them. He said they were changing; they just changed the bylaw. They've doubled the fee for application for—

Mr Johnston: With respect, part of the difficulty may be that if they're not entirely specific about which fees they are concerned about, it may be difficult for us to identify whether there is an appeal—

The Chair: It's part of their expression that they want stronger legislation. They also want a mechanism for appeal where none exists.

Mr Christopherson: Maybe that's the point, to actually say that. That last part, where you said "where none exists," is really our words but does make their point more salient. I could live with all that and the last bit that you just offered, Joe. I could live with that.

The Chair: OK. Is that agreed?

Mr Christopherson: We've still got the first part, though.

Mr Johnston: My suggestion there was that you could clarify again who was urging the government to resist the demands from municipal governments. So, "Government was urged by small business sector representatives to resist demands from municipal governments for additional taxation authority or other revenue-raising capacity."

Mr Christopherson: I can live with that.

The Chair: Agreed?

Interjections: Agreed.

The Chair: Any other changes? Agreed, as amended, for the municipal taxation issue? Thank you.

Shall that whole section on the Ministry of Finance carry?

Interjections: Carried.

The Chair: We need direction as to whether you want the whole committee or the subcommittee to review the amended report in its final form.

Mr Sampson: The subcommittee.

Mr Phillips: Couldn't we just send it to the subcommittee and let the members review it, and if—

The Chair: If we don't hear back, that constitutes approval? Is that what you're suggesting?

Mr Phillips: Yes.

The Chair: Is that agreed? OK. The amended report will be sent to the subcommittee members. You've got to give the clerk a time frame—if you haven't heard back in 24 hours, then it's deemed to be acceptable.

Mr Phillips: That's fine.

The Chair: Is 24 hours acceptable?

Mr Christopherson: From the time of receipt?

The Chair: From the time of receipt. Agreed? Thank you.

We also have to authorize the report. I need a motion to forward a copy of the report in English only—we need a couple of weeks for translation—to the Minister of Finance prior to its being tabled in the House.

Mr Arnott: So moved.

The Chair: Seconded by Mr Kwinter. Agreed? Thank you. It is carried.

The translation will require 10 to 14 days, depending on the difficulty of the document. This report will be sent for translation after it has received the dissenting opinions from all parties.

There are four means of presenting the report to the House. Essentially we will be reporting the report with the appendices to the House. Is that agreed? Good. We shall do so.

I think that constitutes all business.

Mr O'Toole: Chair, I have a question. Are we attaching some dates to this? This may sound rather mundane, but I think if we present it, we should have a date: March 17 or 18.

The Chair: The dissenting reports have to be in by the 25th at 5 pm. That's the deadline.

Mr O'Toole: February 25.

The Chair: That's right, which is this coming Tuesday. The amended report will be ready by tomorrow noon.

Mr Phillips: You want it back by noon Monday? Is it 24 hours' working time?

The Chair: Do you want to have the same deadline: 5 o'clock Tuesday?

Mr O'Toole: Sure. That's a good idea.

The Chair: Is that acceptable?

Mr Phillips: It's good with me.

The Chair: Any response back from the subcommittee will be finalized by 5 o'clock Tuesday, which is also the deadline for dissenting opinions.

Mr Christopherson: Katch, in giving us that document, you'll remind us of that time frame?

Clerk of the Committee (Mr Katch Koch): Yes.

The Chair: In terms of procedure, the report is tabled with the clerk and sent to the minister, and when the House resumes, the Chair will report it to the House.

Mr Phillips: Is the House back on March 17?

Interjection.

The Chair: Just to clarify, the final printed version will be the report only and not the summaries you had as some of the preliminary information.

Mr Christopherson: Say that again—the last part.

The Chair: The summaries, which were the preliminary information that was sent to committee members, will not be included in the final report; it will just be the report as amended, with the appendices. OK?

Mr Christopherson: Yes.

The Chair: Folks, thank you very much. This committee stands adjourned.

The committee adjourned at 1221.

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